U.S. DEPARTMENT OF COMMERCE
National Technical Information Service

PB-292 177

Report to Congress - Industrial Cost Recovery Volume VII. Transcripts of Public Meetings (Regional and Town Public Meetings)

Coopers and Lybrand, Washington, DC

Prepared for

Environmental Protection Agency, Washington, DC

Dec 78

PB 292177

United States
Environmental Protection
Agency

Office of Water
Program Operations (WH-547)
Washington, D.C. 20460

December, 1978

Water

EPA

Report to Congress Industrial Cost Recovery

Volume VII — Transcripts of Public Meetings (Regional and Town Public Meetings)

Coopers & Lybrand
1800 M Street, N.W.
Washington, D.C. 20036

REPRODUCED BY
NATIONAL TECHNICAL
INFORMATION SERVICE
U. S. DEPARTMENT OF COMMERCE
SPRINGFIELD, VA. 22161

TECHNICAL REPORT DATA
(Please read Instructions on the reverse before completing)

1. REPORT NO.	2.	3. RECIPIENT'S ACCESSION NO. PB292177
4. TITLE AND SUBTITLE "Report to Congress - Industrial Cost Recovery", Volume VII, Transcripts of Public Meetings (Regional and Town Public Meetings)		5. REPORT DATE December 1978
		6. PERFORMING ORGANIZATION CODE -
7. AUTHOR(S) Cooper & Lybrand 1800 M Street, N. W. Washington, D. C. 20036		8. PERFORMING ORGANIZATION REPORT NO.
9. PERFORMING ORGANIZATION NAME AND ADDRESS		10. PROGRAM ELEMENT NO.
		11. CONTRACT/GRANT NO. EPA-68-01-4801
12. SPONSORING AGENCY NAME AND ADDRESS Office of Water Program Operations U.S. Environmental Protection Agency Washington, D. C. 20460		13. TYPE OF REPORT AND PERIOD COVERED
		14. SPONSORING AGENCY CODE 700/02

15. SUPPLEMENTARY NOTES

16. ABSTRACT

This document presents the U.S. Environmental Protection Agency's final report to the Congress on its Industrial Cost Recovery Study as directed by the Congress in Section 75 of Public Law 95-217, the Clean Water Act of 1977. This provision of the statute requires EPA to study the "efficiency of, and need for" the repayment by industry of that portion of the EPA grant used for construction of industrial capacity in publicly-owned wastewater treatment systems, and requires EPA to report the results of the study to the Congress by December 31, 1978. The final report consists of seven volumes:

Volume VII - Transcripts of Public Meetings (Regional and Town Public Meetings)

17. KEY WORDS AND DOCUMENT ANALYSIS

a. DESCRIPTORS	b. IDENTIFIERS/OPEN ENDED TERMS	c. COSATI Field/Group
Industrial Cost Recovery	Report to Congress	

18. DISTRIBUTION STATEMENT Release to the Public	19. SECURITY CLASS *(This Report)* Unclassified	21. NO. OF PAGES 385
	20. SECURITY CLASS *(This page)* Unclassified	22. PRICE PCA17 / MF A01

EPA Form 2220-1 (9-73)

ORIGINAL

1

INDUSTRIAL COST RECOVERY PUBLIC MEETING

- - -

United States Environmental
Protection Agency
215 Fremont Street
San Francisco, California

Monday, October 23, 1978

The public meeting was convened at 10:10 a.m., Frank Covington presiding.

- - -

CONTENTS

	page
Introduction by John Randolph	6
Presentation by Alan Brown	9
Presentation by Ed Donahue	15
Discussion of 16 Alternatives	24
Statement of William Hyde, Water Quality Division, Dept of Public Works, Sacramento	37
Comments by John Pai	38
Questions and answers	41

PERSONS PRESENT:

Jack Barron, 636 Van Ness Avenue, San Francisco, 94102, California, representing City and County of San Francisco

Ed Barry, 9660 Ecology Lane, Sacramento, California, 95827, representing WQD - Sacramento County

Robert D. Bottel, Drawer J, Stockton, California, 95201, representing Tillie Lewis Foods

C. W. Caron, 555 Capital Mall, Sacramento, California, 98514, representing Peat, Marwick, Mitchell & Company.

Joseph Damas, Sr., P.O. Box 24055, Oakland, California, 94623, representing EB Mud, SD 401

W.S. Hyde, 9660 Ecology Lane, Sacramento, California, 95827, representing County of Sacramento, Department of Public Works.

Christopher W. Jens, 450 N. Wiget Lane, Walnut Creek, California, 94598, representing John Carollo Engineers.

Jocelyn Kempe, 575 Market Street, San Francisco, California 94105, representing Chevron Chemical Company.

Barry M. Landa, P.O. Box 8345, Stockton, California 95209, representing Del Monte Corporation

Joseph A. Maldari, One Post Street, San Francisco, California 94104, representing Foremost-McKesson, Inc.

L. J. Naua, 1 Post Street, San Francisco, California, 94104, representing Foremost Foods Company

Norman A. Olson, 1950 Sixth Street, Berkeley, California, 94710, representing National Food Processors Association

Bob Parod, P.O. 3327, Modesto, California 95353, representing Tri/Valley Grocers

Nicholas S. Patemon, P.O. Box 4557, Haywood, California 95440, representing Hunt-Wesson Foods,

Lloyd Sawchuk, 2130 Adeline St., Oakland, California, 94623, representing East Bay Mud

H.E. Stone, P.O. Box 3575, San Francisco, California, 94119, representing Canners League California

- - -

MR. COVINGTON: Let's get underway.

It is a few minutes after ten. I can say good morning to all of you.

I am Frank Covington. I am the Director of the Region IX Water Programs Division. Our region out here is responsible for the EPA activities throughout California and Arizona and Nevada on the mainland. We also have responsibilities out in Hawaii and Guam, American Samoa Trust Territories.

I would like to welcome you here and to thank you for coming to participate with EPA in this meeting on our Proposed Industrial Cost Recovery. EPA sincerely hopes that today's public meeting combined with the numerous surveys which conducted earlier this year will help to incorporate your concerns into the EPA final report to Congress in December.

As the agenda shows, the first portion of the meeting will be explanatory, and followed by the presentation of any formal statement and concluding then with questions and answers.

On my immediate left is Mr. John Randolph, our regional User Charge and Industrial Cost Recovery specialist here in this office. He will briefly explain the purpose of the ICR study and to moderate today's meeting.

Following him will be several representatives from Coopers & Lybrand, the management consulting and accounting firm hired by EPA to assist in the study. Mr. Alan Brown will describe the study's scope and methodology, while Mr. Ed Donahue will focus on the study's findings and conclusions, as well as possible recommendations which could result.

Additionally we have with us this morning Mr. John Pai from EPA Washington Headquarters.

We were to have Mr. Don Rothenbaum from California Water Resources Control Board--yes, he is sitting up front.

During the discussion portion of the meeting we will first hear those people with previously scheduled testimony. Next those with written statements and then conclude with a question and answer session. Since many ICR questions have been raised previously, we will certainly stay as long as necessary to conclude the discussion. The court reporter is on hand today and a transcript of the meeting will be appended to the final report to Congress.

Just one further note I happen to think about, if you find the need for public telephones, the closest location is on the first floor just to the right of the elevators.

So without further ado, I would like to turn the meeting over to Mr. John Randolph.

John.

MR. RANDOLPH: I am John Randolph, and as Frank stated, I have responsibility for reviewing and recommending approval or further review of proposed ICR User Charge systems for Region IX.

Before getting into my spiel, there are a couple points I would like to clarify. There was a bit of misinformation that was passed out. There were a series of three meetings. I was led to believe that the meeting tomorrow would be different than the two being held today, and thatis incorrect. All three of the meetings will be the same. So if anybody had planned to come tomorrow, thinking there would be a separate series of meetings held, that is incorrect. All three of the meetings will consist of basically the same information.

By way of background, ICR and User Charge, commonly referred to as revenue programs, were established via Public Law 92-500, consisted of basically two methods of acquiring revenue, the first being User Charge which all users are required to pay. The second, which we are here to discuss today, is Industrial Cost Recovery or ICR. The ICR portion or ICR cost, if you will, relates to those costs which industry is required to pay, based on their proportionate use capacity-wise for waste treatment systems. Normally the pro rate share of capital cost is determined based on flow as well as strength parameter.

Needless to say, ICR has been a very controversial subject, and as a result of this, there is a study mandated by the Congress in December of last year. Coopers & Lybrand, the public accounting firm, was commissioned to do the study through EPA or working through EPA.

Several reasons that Coopers & Lybrand were selected, the first being they do have a significant degree of experience and expertise in revenue programs within the EPA.

Secondly, they did have adequate personnel to do the job within the time constraints that were permitted by the Congress, which is primarily an 18-month period.

The scope of the work for Coopers & Lybrand is determined by the information contained in the Congressional Record published December 15, 1977.

I would like to take a moment to highlight those areas that will be addressed in the study.

The first concerns any potential discrimination between and among any particular industries or plants within a geographic region with respect to ICR.

Secondly, are there any differences between the charges levied by grantees because of ICR User Charge requirements? We found that this varies from region to region.

Does ICR force industry to relocate?

Obviously ICR payments represent a cost of doing business and in certain instances are significant costs.

Has ICR increased the cost of pollution abatement?

Obviously there may be possible duplication in terms of procedures and technology that is employed in waste treatment.

Another area that is of obvious concern, especially in California, what is the impact of ICR on conservation, primarily water conservation. Again does ICR program encourage cost effective solution control alternatives?

Something that will be of interest to the people in the meeting today, how is this ICR money spent, both by the grantee and by the federal government?

Something that is probably also of a great deal of interest, what is the administrative cost of the ICR program and in and of itself, is the cost of the program effective in terms of the objectives?

The last subject we will be discussing which has been considered part of the study, purported exemptions for "small industries." What constitutes a small industry and how does an industry go about obtaining an exemption?

Those are fairly technical subject, and without any further ado, I would like to introduce Mr. Alan Brown from Coopers & Lybrand who will present the contractor's portion of the study.

Alan.

MR. BROWN: Good morning. May name is Alan Brown. I was responsible for the data collection effort in the western half of the country for the survey.

When EPA first asked us to conduct the ICR study, the first thing we did was to go back and read the 1972 legislative history related to User Charge and Industrial Cost Recovery. Our purpose was to find out exactly what ICR was supposed to do and what it was supposed to accomplish.

Stated very briefly, there are two major ideas contained in the legislative history.

The first idea concerned equity or an attempt to equalize the assumed economic advantage for those industries that use public sewer advantages as opposed to those industries treating their own waste.

The assumed economic advantage was one of less expensive sewage cost, if you discharged to a POTW or Publicly Owned Treatment Works.

The second idea contained in the legislative history was that of capacityor the appropriate sizing of wastewater treatment plants with adequate but not excess future capacity.

And the third idea we found, but not as central to ICR as the first two, was an attempt to encourage water conservation.

After reading the legislative history, this background material together with the legislative history relative to the 1977 Act and especially Congressman Roberts' questions, which John briefly summarized today, and Congresswoman Heckler's statements on ICR, serves as a frame of reference for the plan of study.

Now the initial step that we took in late May of this year was to sit down with EPA personnel, including John Pai, John Gall from Region I in Boston and Ted Horn from Region V in Chicago, and put together a shopping list of every piece of data that we could think of that would help us in answering specific questions already asked about ICR, and some of those questions related to User Charges.

We took this list of data that we developed and converted it into two draft survey questionnaires, one questionnaire for industry and one for grantees.

The draft industrial questionnaires were reviewed with such organizations as the National Food Processors Association, National Association of Manufacturers, and other public and industrial associations.

After refining the questionnaires, we developed a list of people to survey. With EPA assistance we compiled a list of approximately 100 cities which we plan to visit in person. These cities ranged in size from Ravenna, Nebraska, with a population of approximately 560, to cities as large as New York and Chicago.

We eventually visited approximately 120 cities, some of them twice, if there was strong local interest in the study.

Our standard procedure was to meet with the agency responsible for wastewater treatment in the morning, and then with industrial groups or civic associations,if there was sufficient interest,in the afternoon. We mailed survey questionnaires out ahead of time to the people we were going to meet with, so that they knew the kind of data we were looking for and could attempt to prepare for our visit. We stressed thatparticipation in the survey was voluntary. In many cases people mailed in the completed questionnaires rather than meet with us in person.

After we compiled our list of 100 cities for personal visits, we came up with a list of 200 additional cities for telephone surveys. The same questionnaires were used in the telephone surveys and were mailed in advance to the people that were to be surveyed.

A group of five, later expanded to six industries was selected for detailed study. Although we were interested in the impact of User Charge/Industrial Cost Recovery on industry in general, we were particularly interested in industries which met one or more of the following criteria.

The industry was labor-intensive, operated on a low margin, high water users, were seasonal industries, or were particularly impacted by the extent of the pretreatment regulations.

The industries eventually selected for detailed study were meat packing industry, dairy products, paper and allied products, secondary metal products, canned and frozen fruits and vegetables and textiles.

A list of selected establishments in those industries located in the cities where we planned to visit or telephone survey was prepared and survey forms mailed to those establishments. The entire data collection effort was accomplished in six weeks using ten teams of C&L consultants.

The second step in the study after data collection and just as important as the first step, was to develop a mechanism for public participation in the study. We wanted grass roots involvement and we wanted an open study. We put together an ICR Advisory Group of approximately 40 individuals representing industry, environmental concerns, civic and local governments, Congressional interests, and relied upon them to keep their local chapters involved in the study. Monthly meetings were held in Washington and transcripts of the meetings were mailed to anyone wanting them.

The third step in the project was to summarize and analyze the data that we have collected. We are currently completing this task and have reached some preliminary conclusions as to what the data means.

Several computerized statistical analyses were developed and are currently being refined in our Washington office. We have looked at enough data to be able to formulate some possible alternatives to ICR as it is presently constituted.

Now the purpose of the meeting today is to relate to you what we found and to get your reaction to it.

After these regional meetings are held, we will put together a draft final report which will be widely circulated. The draft final report should be written in mid-November.

Then in December, after circulating the draft report, we will begin to write our final report which will be delivered to Congress in late December. The final report will contain recommendations to Congress.

We cannot of course guarantee that Congress will act on our recommendations.

Now since I am sure you are all interested in our findings and conclusions, I will turn the meeting over to Ed Donahue who will relate to you what we found, what we think it means, and what the possible alternatives could be suggested for ICR.

MR. DONAHUE: Good morning. I am Ed Donahue, and I am the Project Manager for Coopers&Lybrand on the study. I am here to tell you what we found during the course of the study, what we think it means, and then to present some possible alternatives.

The data and statistics that I will be using are based on our study and are currently being studied, validated and refined in our Washington office.

Rather than hand out raw data or computer printouts that are understandable to only a few people, we have summarized our data into a handout entitled "ICR Study Data," dated October 10, 1978. You should have received copies of this handout earlier.

The final and much more detailed version of the data analysis will be appended to and included in our final report.

Without further delay, let's look at the data. Remember, though, the data is mostly average data, requires careful thought before using it, because it can be very misleading.

We eventually got data from 241 grantees. The best data came from places we actually visit. The data obtained through telephone surveys was useful but not nearly as complete or precise as data gathered through on-site visits. We also obtained data from 397 industrial facilities, most of it through the effort of trade associations. The industrial data is at plant level rather than at company level.

Looking at the major issues before looking at specific data, the first thin we want to address is the issue of equity or assumed economic advantage; namely, less expensive sewage treatment costs for industries using Publicly Owned Treatment Works versus those industries treating and discharging their own waste. We used a computerized tax model which we developed for industrial clients and modified it to reflect User Charge and ICR situations. Basically the model incorporates equations which reflect the cost of doing business and enabling a company to evaluate alternatives, in essence a "make or buy" decision. Should a company use aPublicly Owned Treatment Works or should it treat its own sewage?

What we found was for some medium or large industries, having compatible waste, it is cheaper in the long run to self-treat, even without including any ICR cost, just including User Charges. This is a very significant finding. What it means is that even without ICR or pretreatment cost added to sewage treatment cost, large industries should from an economic viewpoint treat their own sewage. This is based on several tax changes that were not really known to the Public Works Committee at the time that Public Law 92-500 was passed, because the tax changes were enacted after the passage of Public Law 92-500 and were written by other committees in the Congress.

Basically those tax changes are three.

The first is an accelerated depreciation over a five-year period for pollution control equipment.

The second is investment tax credit for capital equipment.

And the third is the use of tax-free Industrial Development Bonds, IDBs, to finance self-treatment facilities.

The proposed tax law changes now pending before Congress, in addition to the ones recently enacted, will, if enacted, make it even more attractive for industries to self-treat because of the increased investment tax credits which are proposed.

What this finding says is that for many industries it is cheaper to self-treat than use POTW. If this is the case, why don't more industries self-treat? There can be several reasons.

First, and probably the most common sense one, they are not geographically located on a river, stream or other receiving body to which they can discharge and so must use POTW.

Or they don't want the hassle of self-treatment. They do not want to have to get a NPDES permit. They don't want to have to bill a sewage treatment plant.

The third thing is probably the most influential, that User Charge/Industrial Recovery requirements have not been in effect long enough to really see their impact.

The significant thing to bear in mind, though, is that if ICR and pretreatment costs are added on top of User Charges, they could be the final straw that drives industry out of POTWs, thus making it more expensive for the remaining customers in the POTW to use the public sewer system, in particular, EPA's application of pretreatment standards is likely to make many industries give serious consideration to self-treatment.

The second major issue is that of POTW capacity. Based on the survey of 241 wastewater treatment facilities from which we obtained data, the average POTW uses only 68 percent of its design capacity. The usage ranges from a low of 4 percent to a high of 120 percent. It appears that Industrial Cost Recovery, as presently formulated, has not acted to put a cap on the construction of excess future capacity in Publicly Owned Treatment Works.

The third issue, that of water conservation, is not as clear. Based on industries we surveyed, water consumption has dropped an average of 29 percent, but the industries with whom we talked attributed the water conservation to higher water rates and to User Charges, not to Industrial Cost Recovery, because Industrial Cost Recovery as a percentage of water bills and User Charges, is not that significant at this time.

The economic impact of Industrial Cost Recovery to date is not significant in most locales;

Because ICR has not been in effect for more than a year or two.

Most grantees have suspended ICR billings while the moratorium is in effect.

The exception to the insignificance Of ICR is those cases where there are seasonal users and/or AWT, Advanced Wastewater Treatment. In those cases, total sewage costs for industries have increased by several times.

The incremental impact of ICR above User Charges is generally not great with the exception of the two cases just mentioned; the combined impact of User Charge/Industrial Cost

Recovery can be very significant.

We can find only a few scattered instances of plant closings due to sewage cost and none attributable solely to Industrial Cost Recovery.

The total jobs lost in the plants that did close was less than 1,000, in every case, there were other factors such as plant age which affected the plant closing decision also.

The impact of Industrial Cost Recovery appears to be greatest in older cities, particularly in the Northeast, and particularly in small to medium sized cities, and in agricultural communities. There does not appear to be any impact of Industrial Cost Recovery on national industrial growth patterns to date. We were not able to differentiate the impact of ICR on small versus large businesses, because very few industrial plants were willing to disclose production or sales data.

The cost to industry of sewage treatment is much greater, by a factor of about 50 percent average gallons in AWT plants, as compared with secondary plants.

The incremental cost to grantees to maintain and operate Industrial Cost Recovery systems, that is "eliminatable" cost above and beyond the cost of maintaing and operating a

User Charge system, is small when compared with the total cost of sewage treatment, averaging about $15,000 per grantee per year. Average ICR revenues per grantee per year are approximately $88,000, of which $8,800 is retained for discretionary use by the grantee.

There is more data which might be of interest to you that is included in the handout. We would be pleased to discuss specific data during the question and answer period at the end of the meeting.

To summarize our findings and conclusions very briefly:

ICR is not doing what it was supposed to do.

Relatively few cities have implemented ICR, and those that have have pretty much suspended collections.

ICR to date has had no significant impact on employment, on plant closings, on industrial growth, on import/export balances, or on local tax bases.

ICR is not proving cost effective in producing revenues for local or federal governments, at least in most cities. We must realize, however, that the Clean Water Act had social as well as economic objectives. Among other things, Congress was attempting to avoid the appearance of using public money to subsidize industries that discharged to grant funded POTWs. While our studies have shown that many of the economic objectives of the Act have not been met, the social objectives remain. Accordingly, it is appropriate to consider a series of alternatives to Industrial Cost Recovery as it now exists.

At this time, I will ask everyone to turn their attention to a document entitled "Preliminary Compilation of Possible Study Alternatives," dated October 10, 1978, which should have been distributed already.

The document presents 16 alternatives to Industrial Cost Recovery, ranging from leaving ICR as it now is, to outright elimination of Industrial Cost Recovery. These alternatives are not necessarily mutually exclusive, and they are not ranked in any order of preference. Some of them could be combined for concurrent use.

I would like to adjourn the meeting for about 15 to 20 minutes to allow everyone the opportunity to read this document, come up with some initial comments on it, and give you an opportunity to stretch your legs. If we can, we will come back here in about 20 minutes, and while we stand adjourned, if anybody has any specific questions about things on that list of alternatives, we will be glad to discuss them with you.

We will come back at quarter of eleven.

(Brief recess)

MR. RANDOLPH: If we could, we would like to reconvene the meeting at this time.

A couple of points to get out of the way. For anyone who hasn't registered today, there is a card at the rear of the room we would like to have you fill out, for two purposes: first of all, so we know who is here, and secondly, for those of you who have prepared statements which you would like to read, we want to afford you an opportunity to do that. So if you haven't filled out a card, please do so before the end of today's meeting. EPA is soliciting comments regarding the meeting. The comments, however, have to be forwarded or transmitted not later than the 31st of October.

There are a couple of addresses to where you can send that information; that is, your comments.

The first is Mr. John T. Pai, P-A-I, and beside his name should go in parenthesis, WH-547. The next line, Municipal Construction Division. Next line, United States Environmental Protection Agency. Address is 401 M Street, Southwest, Washington, D.C. 20460.

Let me give you John's number in the event you want to call him. Area Code 202. No. 426-8945.

As an alternative you can send your comments here to EPA Region IX. In that event, they should be addressed to myself, John Randolph, Water Division, EPA Region IX, 219 Freemont Street, San Francisco, 94105. Again that is by the 31st of October.

Ed.

MR. DONAHUE: What we would like to do now is discuss each one of the alternatives that we have prepared.

This list of alternatives are not all-inclusive. They can be revised, expanded, modified or refined. They are a list of alternatives that we were able to put together, plus some alternatives that were developed by some people in EPA and we were assisted by our Advisory Group of industrial, environmental and civic people.

I am going to ask Alan to go through the 16 alternatives, discuss each one of them. If you are able to suggest other alternatives or refinements or variations on these alternatives that is why we are here. The basic purpose of this meeting is to get your reaction to what we found and what our possible alternatives are, and see if we can get some more alternatives and just see how you feel about these alternatives.

EPA will have to make a decision to what it wants to recommend to the Congress. Of course, as we said, we can't guarantee Congress will act on it, but the more public participation there is in formulating recommendations, the more substantive Congress will realize public support is for the recommendations presented.

I would like Alan to go through the alternatives.

MR. BROWN: We have got 16 alternatives listed here. Under each we have tried to list some advantages and disadvantages for the alternatives. Now the advantages and the disadvantages once again are not all-inclusive. They are just included here to give us a basis for discussion. We realize there are many more advantages and disadvantages that probably could be listed for each alternative.

Before we go too far, I think you will notice under many of the alternatives, one of the disadvantages listed is that it would reduce revenues to the federal government, and to state and local governments. I think that deserves some comment. Based on one of the handouts that you have seen, we project that total ICR collections over a 30-year period are going to be between $1 billion and $2 billion . Half of that money would be returned to the federal government. Ten percent would be used by grantees at their discretion, and the other 40 percent would be used to expand or upgrade the treatment works.

When you take a look at that money over a 30-year period, you are really not talking about any significant annual dollars. As Ed told you earlier, we estimate average collections for ICR are going to be about $88,000 a year, and it is going to cost grantees on the average about $15,000 a year just to maintain an ICR system.

So those are the kinds of dollars we are talking about when we talk about reducing revenues.

Alternative No. 1 on your sheet is the one that immediately comes to mind, is simply to abolish ICR.

Some of the advantages that we have seen with that would be, number one, it is going to eliminate complaints from grantees that ICR is not cost effective and difficult to monitor and administer.

Another advantage would be to eliminate complaints from industry that ICR is double taxation and adds an unfair economic burden depending upon what part of the country you are in.

And the third advantage would be to eliminate inconsistent ICR charges from grantee to grantee and to region to region.

Some of the disadvantages, if you will remember earlier, one of the reasons for ICR was to attempt to put a cap to design capacity of plants, and without some control over design parameters allocated to industry, abolishing ICR may encourage some grantees to plan and construct treatment works that are larger than necessary.

And another disadvantage is to reduce revenues.

Alternative No. 2 is to base grant funding for eligible project costs, including industrial capacity, on a sliding scale, funding current needs at 75 percent and reducing the federal share of total project costs as grantees plan treatment works larger than current needs indicate. ICR would be based on the current regulations, and there would be no change from what there is today.

I think some discussion is necessary on what current needs means here. Current needs would be only the treatment works the grantee needs to provide capacity for the people in the industry that are in the area today up to secondary treatment. If you design capacity for future use or if you design a treatment works that is in excess of secondary, those project costs would not be grant eligible and would have to be borne by the grantee.

One of the advantages of this Alternative would be to encourage more front end planning, and it would reduce the amount of excess capacity and over design.

Another thing it would do is encourage industry to participate early on in planning and identifying treatment works needs.

A disadvantage is that it may not be cost effective when you are designing a treatment works in an area that is large and rapidly expanding.

Another disadvantage would be to increase the total allocable share of costs for grantees that build treatment works for future capacity or that build treatment works with treatment level in excess of secondary.

Alternative No. 3 is largely like No. 2, that is, to base grant funding for eligible project costs on a sliding scale, once again, funding those particular needs only at 75 percent and reducing the federal share of the total project costs as grantees plan treatment works larger than currently necessary. This Alternative differs greatly from No. 2 in that eligible project costs would not include a component for industrial capacity. There would be no funding for industrial capacity, and therefore there would be no ICR, because there would be no grant allocable to industrial capacity.

Now, some of the advantages here would be, No. 1, it would eliminate grantee complaints about ICR, because there would be no ICR.

It would eliminate complaints from industry about double taxation and on an unfair economic burden, because once again there would be no ICR.

It would eliminate the costs associated with implementing and monitoring ICR systems for both EPA and local grantees.

It would tend to encourage better facility planning.

The major disadvantage we can see here is that it is going to increase the local share of project costs. These added costs may be passed through to industrial users and would esceed ICR costs, there is going to be no federal funding for industrial capacity.

Alternative No. 4 is to leave ICR as it is today, however, change the basis which it is charged and charge ICR only on treatment works, eliminating ICR charges for interceptor sewers.

We have heard from several grantees that it is very difficult in a large area with a large number of segmented projects to determine which industry actually discharges to which interceptor. It is an administrative burden and it is difficult to handle.

The advantage of eliminating charges on interceptor sewers would be to reduce administrative work grantees often have to perform and the disadvantage would be to reduce revenues.

Alternative No. 5 would be to base industry's share of the federal grant on incremental cost basis rather than on a proportional cost basis as is done presently.

What this would allow, this would allow industry to receive the benefits of economies of scale in using an incremental cost basis. For instance, if you design a 10 MGD plant, 8 of which are allocated to residential and commercial users, then the cost of designing the additional 2 MGD would be based on an incremental cost basis rather than proportionately dividing total cost of the project by 10.

The major disadvantage would be that it is going to be very difficult to determine exactly what the incremental cost of building industry's capacity is.

Alternative No. 6 would be to allow the cost of constructing industry's portion of the treatment works to be grant eligible as it is today, based on a grantee's option. If the grantee elects to have industry's capacity grant funded, then he also elects to choose ICR at the same time. If the grantee uses alternative sources of funding to build industry capacity, then there would be no ICR requirement because there would be no federal grant for industrial capacity.

The major advantages here would be to allow grantees to make ICR a local option, depending upon the community's decision and the availability of alternative sources of funding for industrial capacity.

Another advantage would be to encourage industrial participation early on in planning and constructing the treatment works.

A disadvantage here would be that industry may still complain of the double taxation and the unfair economic burden of ICR, depending upon whether the grantee elects to use ICR or not.

Alternative No. 7 is to establish a uniform ICR rate, and everything you see listed there in No. 7 are possible alternatives for developing a uniform rate. For instance, the rate could be based nationally; everyone from Maine to California would pay the same rate. The rate could be established regionally, for instance. People in the Northeast would pay one rate, people in the Southwest would pay another rate. The rate might be developed on a state basis or on an SMSA basis. The rate could be modified, based upon uniform adjustments from area to area through their treatment level, treatment type, or level of discharge from the POTW.

One of the complaints we have heard and we have seen evidence of is that ICR rates are going to be higher for people that discharge to an AWT plant; because ICR rates are going to be higher if you discharge to an AWT plant, it would be possible to adjust the rates nationally or on a regional basis to take that into account.

The major advantage here would be to reduce inconsistencies in ICR rates, depending upon the level of uniformity that EPA decides to adopt.

The major disadvantage is that it is going to be extremely difficult to administer and develop these uniform rates.

Alternative No. 8 is to establish what we call a circuit breaker ICR exemption. What you see listed there are possible thresholds for that circuit breaker. Now, a circuit breaker means that once conditions reach a certain threshold level, ICR payments would no longer be collected, and once you drop below that threshold, then ICR would once again be collected. An example of this is EPA's current regulations concerning the 25,000 gallon per day equivalent sanitary waste exemption for industry. An industry below 25,000 gallons per day does not pay ICR; if you go above 25,000 gallons per day, industry does. That is an example of a circuit breaker.

Possible alternatives for establishing a circuit breaker would be, for instance, extraordinary circumstances in the local community; local economic conditions--for instance ,if unemployment went above a certain level, ICR would no longer be collected and if unemployment goes below a certain level, you would collect ICR. The circuit breaker might be determined based upon the characteristics of one particular industry group, on the geographic area, or upon a dollar level of ICR payments. EPA currently has a circuit breaker based upon a level of pollutant discharge.

Some of the advantages hwere would be to reduce the number of industries required to pay ICR, and it will allow flexibility which doesn't currently exist, based on special circumstances.

A large disadvantage would be that it is going to be difficult to develop and administer and it is going to result in inconsistent ICR charges because you are going to have a circuit breaker and not everyone is going to be paying the same thing.

Alternatives No. 9 and 10 are very similar.

No. 9 would be to allow tax credit for any ICR payments made by industry. This would be in addition to the urrent deduction that industry gets on ICR as a regular expense of doing business.

The major advantage here would be that it would eliminate industry's complaints about double taxation, but it would be difficult to administer. It is going to reduce revenues and is also going to require legislative change.

Alternative No. 10 is to allow tax credits for pretreatment costs that industry currently pays, and this would include both capital investment and Operation and Maintenance cost.

A major advantage here would be to encourage industry to pretreat waste.

The disadvantage would be, once again, that it is going to be difficult to administer and it will reduce revenues.

Alternative No. 11 is to return to the requirements of Public Law 84-660, abolishing ICR. One of the complaints that we have heard is that if industry discharges to a plant funded by Public Law 84-660, there is no requirement for Industrial Cost Recovery, and it is cheaper to discharge to an 84-660 plant. One way to eliminate that complaint is to eliminate ICR and go back to the requirements of Public Law 84-660, which just required a proportionate repayment of the local share of project costs.

The advantages here would be it would eliminate complaints of inequitable charging for ICR, depending upon what kind of funding was involved in the plant, and it should reduce administrative burden on grantees because Pub-law Law 84-660 is normally less complex and difficult to administer than 92-500.

The major disadvantages here are that it is going to reduce revenues and it may encourage development of excess apacity, lacking other controls.

Alternative No. 12 is to abolish ICR and require that the local share of project costs be recovered through a proportionate User Charge, and what this would do, it would achieve equity in the method of establishing rates, if it is thoroughly and consistently monitored, but it is going to have some disadvantages also. It is going to reduce the grantees' flexibility in designing rates. It is going to increase the grantees' administrative costs because User Charges would now be more complex. You would have another component added. It is going to increase costs to large users, where the grantee currently uses a sliding scale rate or block discount rate to recover debt service charges, and it may require major changes in bond covenants where the local community has used either revenue bonds or general obligation bonds to fund the local share.

Alternative No. 13 would be to add an interest component to the current ICR requirements. What this would do, No. 1, it would eliminate the subsidy or the perceived subsidy, because of the interest-free loan component associated with the grant program, and No. 2, it is going to increase industry's participation in facility planning, because you are going to potentially increase ICR costs.

The major disadvantage here is that it may, by increasing ICR costs, encourage industry to seek other alternatives to discharging to POTW, which would tend to increase the cost for those remaining on the system.

Alternative No. 14 is simply to extend the ICR moratorium. We feel that the advantages and disadvantages of this alternative are the same. It simply postpones the date for making a decision on ICR, and you really don't accomplish too much.

Alternative No. 15 is to maintain ICR in its current form, the advantage being it would require no legislative or administrative regulatory changes.

The disadvantage is that you don't solve any of the problems that are currently associated with ICR.

Alternative 16 would be to require a letter of commitment from industry on a contractual basis, as the POTW is sized. That is a typographical error there; it is not "signed" but "sized."

What this would do would be to encourage more precise planning up front and require the grantees and industry to get together in identifying needs.

The major disadvantage would be it is going to tend to commit industry for a longer term contract than most businesses are willing to commit themselves to today.

Now, as Ed told you before, any of these alternatives can basically be combined, shuffled around. You can have a combination of several. We are looking for your reaction to the ones we developed, and comment on some possible alternatives we haven't considered as yet.

MR. DONAHUE: Before we get to discussion of alternatives and modifications and revisions and refinements, if anyone has statements that they want to make for the record, this would be the appropriate time to do that.

MR. RANDOLPH: I have an indication that a Mr. Hyde wished to have time.

STATEMENT OF WILLIAM HYDE, WATER QUALITY
DIVISION, DEPARTMENT OF PUBLIC WORKS, COUNTY
OF SACRAMENTO

MR. HYDE: My name is Bill Hyde. I am with the Water Quality Division, Department of Public Works, County of Sacramento. We are responsible for the operation of the Sacramento County Sanitation District.

I know this is old news to Coopers & Lybrand, but I would like to read a couple of very brief paragraphs in a letter we sent them:

"Absent ICR, and with equitable allocation of costs for sewer service, the cost to some major elements of our local industries is marginally above their costs for alternative remote disposal."

I think this is reflected or confirmed in the comments Mr. Donahue made more broadly.

"With inclusions of the requirement for ICR, industry's costs will be higher by staying within the municipal system than they would be for separate disposal, and some of our industrial customers will either relocate their plants or convey their wastes to disposal sites at the urban margin."

I think in general this would be a counterproductive set; that is, to persist in the use of ICR. The exodus of industry will, I think, tend to aggravate existing core city problems, because in some cases at least both industry and its working force will move.

It I think will also have adverse environmental effects, because we will, among other things, wind up with a small group of discrete disposal areas at the urban fringe, and the day after tomorrow, as the crow flies or as time flies, they are going to be built around, so we have a leap frog process going on again.

I think for these reasons that the perpetuation of ICR is inconsistent with Congress's apparent intent to encourage joint use of municipal facilities.

Lastly, and again this may be a bit redundant on the national scale, but we are a small member of the Association of Metropolitan Sewerage Agencies, AMSA, and I will leave with you folks a copy of a resolution that they passed at their meeting in Anaheim earlier this month. The resolution is:

"The Association of Metropolitan Sewerage Agencies calls upon Congress to enact legislation amending the Clean Water Act by removing the Industrial Cost Recovery provisions from the law."

There are some attached comments on rationale and background which support that position.

Those I think are the only comments I would make.

Thank you.

MR. RANDOLPH: Thank you, Mr. Hyde.

Is there anyone else attending today that wishes to make a statement?

If not, I would like to introduce Mr. John Pai from EPA in Washington, who has a few comments.

John.

MR. PAI: Thank you, John.

Good morning. My name is John Pai from Washington, EPA, and I am the Project Officer for the study. I want to thank Region IX for setting up this meeting so we can bring some of our issues of concern to you here in Region IX.

The purpose of this meeting is trying to form a group decision-making process that we can relate the issue to the Congress representing the will of the people.

This meeting in a way is a little different than any other public meeting we have, in a way that we do not have a set mind as to what the recommendations are. We want to show you what we think are possible alternatives, and we want your opinions as to which ones you like better, or if anything at all you may want to amend or make an addition or revise any of the alternatives that we may have.

From all these alternatives we can find the key thrust that we are trying to address in any one of the following four issues:

No. 1 is simplification of the administrative procedures for the grantees and for industrial users.

No. 2 is encouraging industrial users to participate early in the planning stage so that plant size can be properly sized and designed.

No. 3, we try to give the grantee more discretion to fit his local conditions.

No. 4 is trying to hold down the cost to existing users, be it industrial users or domestic users.

So these are the four major issues that we try to address in all our alternatives. If you have any alternatives, plese try to focus on any of these four issues.

I think as John pointed out, we have extended the comment period to October 31. The reason is, we understand that you received the notice kind of late, and you don't have enough time to respond. I want to take the blame for that, because I know REgion IX has a policy of at least 30 days advance notice of the meeting. Due to circumstances of the study, we could not give that much time for Region IX and again I want to thank Region IX for accommodating us in that regard. My point is even with short notice, it is better than no meeting at all. Under any other circumstances we would not have time for a meeting and still meet the deadline of the Congressional mandate.

Another thing I want to bring out is that we have 10 meetings, one in each regional office over the country. So any comment or recommendation you make here as an individual or at the regional level will be considered in conjunction with other comments we receive in our other regional offices, and a final recommendation will be made by EPA in view of the input from the ten public meetings and other input we receive from interested groups.

Of course the ultimate decision will be made by the Congress, which may be different than any of us has recommended.

But again I think Congress in any case would consider your opinions in the circumstances, and I encourage you not to hesitate to express your preference.

I think in addition to your written comment, many of you may still have more questions, if not today, maybe tomorrow or some other time before you finalize your written comments, so John has given you my numbers in D.C. and I am available to discuss with you any particular issues that you want to discuss before you finalize your comments, or you can call Coopers & Lybrand here, or call John here, to get some initial discussions as to some of the questions before you send in your written comments. In addition, I want to say your written comments can be on a very informal basis. Just jot down what you think, and you don't have to try to write it in legal language or try to write a law for us. Whatever you have in mind, jot it down and we will be pleased to receive it.

Thank you.

MR, RANDOLPH: Thank you, John.

At this point in the meeting we would like to proceed with questions, and to the extent we can, to answer those questions. I will open the floor up to questions at this time.

MR. DONAHUE: Somebody must have some questions or some comments. I am certain that even though I think we are doing a good study, I am certain we haven't answered everybody's concerns about all the issues that are important to them. So please don't be bashful. If you have comments or questions, please make them. That is why we are here.

Yes, sir, if you will identify yourself for the court reporter.

MR. CARON: Bill Caron, Peat, Marwick, Mitchell, Sacramento.

How many operations are fully on Industrial Cost Recovery systems across the nation, fully implemented?

MR. DONAHUE: Let me answer that in a couple pieces. Approximately 400 grantees have approved User Charge and Industrial Cost Recovery systems. Of those, perhaps a hundred had implemented them before the ICR moratorium went into effect. Right now there are only two or three cities that are collecting ICR.

MR. CARON: Two or three?

MR. DONAHUE: Two or three.

MR. CARON: Really you don't have much operating information.

MR. DONAHUE: We have the rates that people prepared for ICR when they had their system approved, and of course unless they modified their treatment works, their ICR rates would not change. So we could project what ICR costs to industries would be based upon rates that grantees had prepared for ICR.

What we did, it was so difficult to compare sewage rates from one city to another, because some people pay debt service on User Charge basis. Some pay for it mostly through User Charges, but maybe some out of property taxes, some strictly out of property taxes. Some use a flat rate, some use a declining block rate. What we did was reduce everything to rate parameters, what is the cost per gallon or per pound kind of thing, and used that for making comparisons. That is about the only way you can possibly do it.

We think we have enough data to draw some conclusions.

MR. CARON: Those conclusions are what would be instead of what actually is?

MR. DONAHUE: That's right. All things being equal, if we were doing work in the private sector here, we would say you don't want to really do the study at this time. It is too soon. But Congress said you will do the study, therefore we are doing the best job we can with the data that is available.

MR. HYDE: One of the things that emerged at the AMSA meeting was that in a few cases where municipalities have started ICR, they have done it at the bottom end of the scale, because that coincided with those grants that were completed, and the first grants were perhaps small. So they have got a curve that lies still ahead of them in terms of determining what total ICR will be.

MR. DONAHUE: That's right. If what we are getting here is, if you have a large sewage treatment system, you have to start collecting ICR on pieces of the sewage treatment system as they become operational, so some studies that have implemented ICR, the rates they have used, the rates developed are only for those pieces of the system that are operational, and ICR rates will go up as additional pieces of sewage treatment works become operational.

We have gathered as much data as we can from as many people, and really it is hard to compare from one city to another because of problems like that.

MR. CARON: How many questionnaires did you send out just in round figures? You said you went to about 120 cities.

MR. DONAHUE: We actually visited 120 cities, we got data from additional--we sent questionnaires out to almost

400 cities. We sent 1500 industrial questionnaires out, and we got so far, as of the date we drew this data we had about 400 industrial responses; and we had 240 city responses.

MR. CARON: In a general judgment, were the industrial responses--did they give you a feeling that the industries understood what the impact would be, that there were rates to be established, what they would be and how that would impact their operations?

MR. DONAHUE: For the most part they did. The survey questionnaires took a lot of time to answer. It was not something you sit down and fill out in 20 minutes. Some of the industrial people came back to us and said, we discovered things that we didn't realize before, like we asked them what their total cost of sewage was, including any portion of their property taxes that they could identify being used for sewage treatment, and pay off bonds, whatever, and we made them go back and go through all those calculations, plus what was the cost of any self-treatment capacity they had, what pretreatment capital costs they had incurred, what modifications to manufacturing processes they had made. For those three things, what capital costs were, what operating costs were, how they financed them, all those kinds of things.

They were pretty much up on what was going on.

Sometimes they had to stop and think about property taxes being used to pay for sewage, but other than that, they pretty much realized what was going on.

MR. CARON: I am asking not so much--that is what they do for themselves now?

MR. DONAHUE: Yes.

MR. CARON: Did they have a good feel of what ICR cost impact would be on them, coming out of this process?

MR. DONAHUE: No, because grantees really can't always give them a good feel for that. They come up with some rates early on.

MR. CARON: So actually there was nothing coming out from the ICR system to industry that gave them something to make a good valid judgment to fight it, live with it, or do something?

MR. BROWN: You can't say"nothing."

MR. CARON: Or very little?

MR. BROWN: In most cases, you are going to find the grantee designed his rates early on, simply to get past the 80 percent funding level, and industry oftentimes doesn't have enough concrete information to make a decision on. Some communities make an all-out effort to go out and bring all their industries in and educate everyone all at one time, all the way through the process. In those kinds of cases industry does have the information, so you can't say that there are no cases where industry can make a decision, but in the bulk of the cases it is very difficult.

MR. DONAHUE: The other problem is that industry is waiting until they get the total cost. Industry knows that its sewer bill has gone up through the User Charges, and ICR may or may not have hit them. A lot of them are really holding off until they find out what it's going to cost them to comply in treatment funds, depending on how EPA is going to apply those regulations, it will be more or less expensive.

Basically, what we have seen is industry is willing to pay a small premium to use a public sewer system. They don't want the hassle of having their own self-treatment. If you make it too expensive to use the public sewer system, they might start to reconsider, particularly if you start building new industrial plants. You have an existing industrial plant, people probably tend to stick with the public sewer system. But over time, as you build new ones or modify things that will incorporate all these kinds of costs into plant design and decision-making, also over time you may be driving them out of the POTW. It is hard to tell.

MR. CARON: This is what Bill brought up. All of a sudden conceivably you have got huge expensive plants, and I say that, gentlemen, I can save money because the three things that you said, I will go out and build my own. Then we sit with this huge facility here that somebody has got to support, and local government just is not going to be in a position to support it without charges.

MR. DONAHUE: That is why the issue of sizing is so important. All of them are important, but if you build a plant, a sewage treatment facility, and it has capacity in there for industrial use that you are counting on, and that usage doesn't materialize, you're operating costs for the sewage treatment are pretty much fixed, with some flexibility, so the User Charges for residential and commercial customers are going to go up. Debt service costs are slightly fixed in most every case. This is going to be more expensive for everybody else. If you drive industry out of a Publicly Onwed Treatment Works, you are going to make it that much more expensive for everybody else to use it.

MR. HYDE: Unless my auditors think I am about to go broke, I should comment that we have a couple candidates in our industrial group who may well find that ICR is simply more than they can tolerate, and this will encourage a move not of their plants, but of their waste treatment locale out of town. The effects of those two leaving, and the flows and loads are rather high, would be to increase the costs to residential and commercial users, by I think, between 7 and 10 percent, in that order of magnitude. That happens to be the case only in our case where the relative industry load is not that great a part of the facility.

MR. STONE: A partial response to this gentleman's question--for the record, my name is Herbert Stone. For purposes of the record I am representing the Canners League of California. In regard to his question on the knowledge which individuals may have had regarding ICR, didn't that vary considerably across the country depending upon the construction facilities that had been made available and whether or not ICR had been implemented?

MR. DONAHUE: Yes, absolutely.

MR. STONE: I wanted to be sure we didn't have some confusion there. I did have another question I wanted to ask, though. With regard to your Alternative No. 1 about abolishing ICR, I guess I am a little bit confused here on the very first disadvantage that is identified here, that "without control over the design parameters, abolishing ICR would encourage grantees to plan and construct treatment works that were larger than might be necessary." Is that really a valid statement? At least with my knowledge of the method of reviewing the grant applications, design facilities here in Region IX, the ability to construct a facility far in excess of what might be an immediate need, at least as far as the industry side of it is concerned, I think that those grant funds are really not going to be available. Generally speaking, the facility is sized for the existing facility with some reasonable anticipation of growth, and that anticipation of growth is based upon a plan developed by the region, approved by the State Department of Finance with regard to population expansion, and so on.

I would be a little bit suspicious that abolishing ICR would lead to the construction of some very large facilities that previously hadn't been planned or perhaps available.

MR. PAI: Let me answer that. The basic disadvantage is addressed on a national issue that in different regions, even in different localities, that disadvantage may not be there. There are many, many good regions or grantees that have a good handle on what is proper sizing of the plant. Generally, there are also communities or regions where they have a different concern about what is a reasonable growth in that area, and there have been cases of capacity which has been designed for future growth, which so far has not materialized and so far existing users are paying a tremendously high cost in anticipating future growth.

So the two questions arising from that is, number one, where does future growth actually materialize; and number two, who is paying for it now? That is the question we try to address here. The disadvantage is not saying every grantee in every region is overdesigning their sewage treatment plant. To answer your question, yes, there are certain areas where that is a tremendous issue of concern. If you read newspapers in different areas of the country, you find a lot of people saying they are paying too much for future capacity.

Another reason we mention that is one of the intents of putting ICR as an additional cost to industrial users, that they would think twice before they say how much their capacity will be using, in the planning stage. Evidently, as the study indicates, because the cost impact in most cases is not that important, so it really doesn't serve as a purpose in trying to discourage industrial users to acquire additional capacity or acquire a very optimistic projection of their usage.

So that is one of the things that we found out in the study is that ICR does not really do that job.

MR. DONAHUE: The other thing is that we are talking about the California League of Canners. Not every state has the fairly orderly and organized process for planning population growth as California does. I can think of a whole bunch of states. If you add up population projections for the major metropolitan areas of a state, if you add them together, they are much greater than the population projected for the state as a whole. If you start building highways or sewage treatment plants or anything, on projections like that,you are in trouble.

MR. STONE: The suggestion should be that EPA should develop or publish a better set of guidelines that can be followed on a national basis.

MR. PAI: To answer your question, yes. I think more or less you have the view that EPA is trying to cut down the growth of industry or for local development that is not the case. It is very much to the contrary. EPA is trying to accommodate at least for reasonable growth, either in the residential or industrial user. What happens here is if you have too high a cost for a sewage treatment plant; you don't promote growth. In other words, people are saying extra capacity will promote growth. The indication is the other way. If you have too high a sewage cost, it discourages growth.

So what we try to do is try to make people realize that we do want to provide enough funding for reasonable growth in which people can come in and say, here, if I come in this area, I have enough capacity for me. Number two, if the cost is not too expensive for me to join a new community. That is our point.

If you have any feeling that EPA is trying to cut down growth or trying to discourage growth, I want to clarify that point. We are actually trying to approach the problem more constructively.

MR. STONE: I didn't have any feeling about EPA's limiting growth or the future of the given area. I mean I recognize the fact that you also have the obligation to not just provide for additional capacity, but make a determination whether or not that additional capacity would have some other effects in the area, air pollution problems that might result from it, or solid waste disposal or things of that nature.

MR. PAI: Yes, that is true. I think you are very fortunate that you are in Region IX, the State of California, to have one of the best regions and states we have over the country. Generally we try to address the issue on a national level, and there are areas that need this issue addressed. It is not particularly relating to the State of California Region IX.

MR. RANDOLPH: Are there any further questions?

MR. PAI: I know some of you, you have your national representatives in Washington, D.C., particularly like the Food Processors, so I guess you are in tune with what we have done so far up to this point from your national representatives.

I also want to say, referring to the gentleman there on behalf of AMSA, that this is not a hunting statement that industrial users say, I am going to move out of the area; I am going to do this, do that. That is one of the very reasons that Congress is very concerned to ask us to do this study, asking is that the case? One of the things we want to do in this study is to find out whether anybody did relocate, whether anybody did close down their plant, whether anybody did cut down their expansion.

We have an adequate chance for all these people to respond. We work with the National Association of Manufacturers, which is one of the leading manufacturing associations in D.C. We work with the National Food Association which again has many,many members, and we couldn't find anybody coming out and making that statement. Yet we always hear these people saying, we are going to move out, we are going to cut down our expansion, we are going to close down plants. The point I am trying to make here is that we are looking at what actually happened. We don't look at what he wants to do or intend to do or threatens to do. So if you have any cases of that, we are still open for that, to put in our data up to October 31. But literally saying he may want to move out is just not going to hold water.

MR. HYDE: Mr. Pai, it seems to me that we are getting a little geared up to fight the last war. The decisions that are going to result from departure have yet to be made. A case in point, Campbell Soup. Campbell Soup is a large contributor, a year-round canner. During the non-tomato season, four million gallons a day; during the tomato season, say,eight million gallons a day. That is a large industrial customer. Now, I don't know that they have declared themselves to you. Maybe they will, maybe they won't. What they have done is to get the zoning law changed, as a result of a study they supported almost three years ago. That zoning law has reached culmination and will result in a hearing on a change in zoning for an area adjacent to our treatment plant. That will come next week. That has been three years on the train. They bought 1500 acres of land in that area. That is an investment behind them. The decision is not made yet. They are waiting. They are waiting to hear from you and from Congress.

I strongly urge that you look not at a bunch of data from an inconsequential sample--and it is--don't survey the past, because the future is not written there. The future lies ahead, and you will have to evaluate on the basis of projections of doubts, of all the imponderables of what are going to make people move in the future.

As far as I am concerned, Campbell Soup's conclusion will be, if ICR goes, I will move. It is as simple as that. It is economic for them to do so.

I want strongly to encourage that you don't take a very small sample, which is random, which is nonrepresentative, out of the past, and kite it into a decision about the future, because the scope of that decision is not there.

MR. PAI: Your point is well taken. Basically, even as you will notice in the study at this point, large industrial users know at this point, they may even do better, just go out and provide their own treatment. We recognize that fact. This is not even talking about future additional costs to them. Particularly you in California, we understand the cannery has been one of the industries from my experience on this program for three years,which I feel are the ones who have been impacted at the very most, not only on ICR, but also on User Charge.

Again, on the other hand, they have tremendous impact on grantees to provide treatment for them, too. The issue involved is really a very delicate and very complicated one. I am saying it would be hard for us to imagine a grantee-- providing that capacity for them without knowing whether they are going to use it or not, or without knowing how long during the year they are going to use it. What happens the rest of the nine months of the year, when the capacity is there?

On the other hand, we also understand the cannery is operating on a very low marginal basis, and they don't get hit so hard by all this pollution control. We understand the issue on both ends of it.

MR. DONAHUE: We've got sort of a double-edged sword here. We are trying to base our findings and conclusions on hard data, but recommendations really are going to have to be drawn about something that is going to happen in the future. So we are trying to answer the questions that Congressman Roberts raised and specifically entered into the Congressional Record last December, and those really are the starting point for our study. We have to answer those questions. We can only answer them based on data we have so far, and so far we can find no evidence of plant closings and very little loss of jobs and very little economic impact. That is because ICR hasn't been in effect that long, and even where it was, people suspended it. The recommendations, though, are going to take into account the kinds of projections we are taking, based on data we now have. Those recommendations are going to say that somewhere underlying them is going to be the thought that there could be some significant impact, not just on industry, but also on residential and commercial users of public sewer systems, if industry pulls out.

MR. PAI: I think the key thing about this industrial users decision is not that much of relocation, but rather providing their own treatment or joining a POTW. That is my feeling. In other words, they were not relocating because of ICR. They will probably try to provide their own treatment because of ICR or because of sewer costs, loss of revenue in the local area as far as the tax base goes, I don't think that would be a tremendous impact there.

MR. CARON: Ed, would I be reasonably accurate in assuming that in your report you will have words similar to those that were just discussed and really the final decisions cannot be told because they are in this processing stage, so somebody doesn't take the quote "hard data" that you have got and move from that without qualification?

MR. DONAHUE: Yes, that's true. No question about that. From your own experience, working for a CPA firm, we will qualify very carefully the data we have, and say it is limited data, and to say this is all that's going to happen, this is the impact, it would be naive. We are going to qualify the data.

MS. KEMPE: Jocely Kempe, from Chevron Chemical Company. Will a federal share go back to the Treasury or EPA?

MR. DONAHUE: Back to the Treasury. The original projections for that revenue, one of the handouts we have here, made by some staff people from the Public Works Committee when 92-500 was passed, was that it would be $4-1/2 billion to $7 billion and just based on data we have so far, we can't see it being that large.

MR. PAI: One of the reasons is that a lot of industries are tremendously reducing their water usage.

MR. DONAHUE: There has been significant reduction in water usage. The original intent was that money that went to the Federal Treasury was going to be earmarked for some kind of disaster relief fund. That has not happened. There has been very little collected. Total ICR collection to date has not been more than a million dollars.

MR. STONE: May I also echo the sentiments raised by Mr. Hyde regarding the continuing review of these nonproductive costs which we pay for in going to a municipal wastewater treatment system. Managements do look at them regularly, and then the decision is made.

MR. DONAHUE: One of the concerns, particularly when you get into economically depressed areas, I guess the textile industry was a good case of this, those people up in the Northeast are competing not only with other parts of this country, textile mills in the South, but foreign producers as well. They say that ICR is cost of production--you normally expect when a manufacturer, supplier has cost that goes up, he is going to raise his prices eventually. But in some cases, what they are saying is that ICR is a cost we just can't pass along because the price for our products, our textiles is pretty much fixed by what the market will bear, not by what they cost. If we really factored all these costs, including ICR, into the cost of our product, we would not be competitive with foreign goods or with goods from other parts of this country.

So that is something that has to be considered.

MR. PAI: I think the general statement that can be made is other than seasonal industries or tremendously high water usage industries, ICR cost is anywhere from 10 to 20 percent of your total sewer bill. That includes the User Charge, local debt service and everything. For canneries, seasonal users, or some of the seafood processors, the costs probably may be a little higher than 10 to 20 percent. We are concerned with seasonal users, and some of these low-profit marginal industries.

MR. MALDARI: I am Joe Maldari from Foremost. In the consideration of ICR charges, has anything been thought of with regard to the character of waste? If one industry required just secondary treatment, will he pay as if he needed full treatment or is that something that hasn't been considered?

MR. DONAHUE: That is approached indirectly, because ICR charges are supposed to be based upon not just volume of your discharge, but strength as well. If you take the cost of building a sewage treatment plant, and allocate it to rate components, what part of the cost of building a sewage treatment plant is used to remove BOD or remove suspended solids or whatever it is you are removing, then that will impact the rate charged for specific customers depending on the composition of their sewers. Indirectly that is considered under the existing ICR regulations.

Can we have some comments from the state? The State of California is probably one of the more aggressive and active state governments as far as environmental issues.

MR. ROTHENBAUM: It is hard for me to give a State Board opinion, except for those working within the State Board, we have a lot of opinions, personal staff opinions. The staff of the State Water Resources Control Board personally feel that ICR has not been as constructive as it was intended to be in the first place. The only thing I would have any questions on any of these alternatives is No. 16 which requires a letter of commitment from the industrial user. Does that mean it abolishes ICR?

MR. DONAHUE: Not necessarily.

MR. BROWN: ICR would stay the same way it is today, only we would have a contract that is binding.

MR. ROTHENBAUM: We would rather see his letter of commitment, but in case of the letter of commitment we would like to see ICR abolished.

MR. PAI: What would that commitment do then?

MR. ROTHENBAUM: Well, we were talking about sizing of the treatment works. A letter of commitment would basically say to a grantee that so much capacity is set aside for this one industry. By doing that, if the industry only utilizes that capacity which they reserve, it prevents utilization of that capacity by, say, the rest of the municipality or for other industries, thus putting a factor limitation on growth. That was one of your concerns. Let's say industry says we want a 20 percent increase; they only increase by 20 percent. Therefore an additional 10 percent is there for the grantee to use for expansion purposes. We don't want to see that happen.

MR. PAI: Who is paying for that extra 10 percentage?

MR. ROTHENBAUM: The industry.

MR. PAI: Through User Charge and local debt service?

MR. ROTHENBAUM: They would have to pay that capital portion allocated to them through the letter of commitment.

MR. PAI: Local capital portion or federal?

MR. ROTHENBAUM: Local capital portion.

MR. PAI: That is a good point.

I want to also comment on just a side issue, nonproductive cost. I think we always look at nonproductive cost from the industry point of view or society's point of view. I understand water pollution or any pollution effort is a nonproductive cost to industry. But as the study indicates, all these things also have social value. What is nonproductive cost to society?

I am not trying to say that industry is responsible, I am saying industry should take heart that whatever money they put in to abate pollution, it is productive cost.

That may help you to persuade your management to allocate money for pollution control. It is not a total waste even to industry itself.

MR. DONAHUE: One of the things we did find, comparing rates is difficult to do. Even if you go back and look at the unit cost for a gallon of sewage or pound of pollutant, if people change the basis upon which they charge people, many industries say, our sewage costs are going up phenomenally. They are charging everybody a flat unit cost basis. That is one thing.

Another thing, a lot of people have been complaining about ICR and User Charges, but if you go back and really pin them down to what they are paying in total cost, and find out particularly in a couple of Northeastern states there has been state legislation passed mandating that the cooling water be discharged directly, not into the sewer system, that while industry's rate may have gone up phenomenally, I can think of one place where the average industrial rate was $9.21 per thousand gallons for everything. But their total sewer bill had gone down, because they are no longer paying any sewage charges on cooling water which they used to pay. You really have to be careful or data can trap you if you are not careful in how you use it.

MR. PAI: If anybody here has any particular concern about any of the alternatives we have here, or has difficulty with it, this is what we came here for, and just come to express it. We have 16 Alternatives here--17 now. This is the time to express your preference here; we want to hear about it. If you don't have it, then you lost your chance--seriously. I would prefer to see people tell the Congress what they want, instead of when the Congress takes some action, say they don't like it. This generally is too late. This is the very purpose of this meeting.

MR. SAWCHUK: The comments received through October 31 will be recorded as if they were spoken in this meeting, will they not?

MR. PAI: Yes.

MR. DONAHUE: If we get responses after the 31st of October, we will try to factor them into drawing up the final data, and drawing up recommendations. We can't guarantee it. If we get them through the end of this month, we can. Congress did not allow very much time for the study. That study I started in the middle of May and the final report is due at the end of December. It is a legislative deadline. We can't get an extension. You have to amend the Clean Water Act to give an extension for the deadline of the study. We intend to meet that deadline. So we have a really short time for this whole thing.

MS. KEMPE: Will all participants at this meeting get a copy of your draft report?

MR. DONAHUE: They will be available in the regional office. It is a public document.

MR. RANDOLPH: If you desire a copy, write to me of the Office of External Relations, specifying the report you are after, and I am sure they can accommodate you. If you have a problem, feel free to call me and I will do what I can.

MR. DONAHUE: What we are planning to do is to have the draft report, or at least the summary part of it, which we look at as being 25,30,35 pages long, available to anybody who wants it. If anybody wants a copy, fine. The final report is probably going to be 2,000 to 3,000 pages long. We have transcripts and a whole bunch of public meetings, pages and pages of computer printouts, computer generated curves and that kind of stuff. We weren't planning to make whole bunches of copies of that. I think what people are interested in are findings and recommendations. That is what we plan to distribute.

MR. PAI: For this public meeting, we will make a summary of this public meeting, and make copies available to whoever registered here. We will make a transcript of this public meeting available in regional offices; however, we don't know whether they are going to make it available to everybody. You will have a summary of this public meeting.

MR. ROTHENBAUM: Oh Alternatives No. 2 and 3, has Coopers&Lybrand considered maybe recommending that current capacity be funded higher than 75 percent, say, 85 percent federal funding for current capacity, and dropping it lower to future capacity, therefore giving an additional incentive, a better incentive for planning future needs, because the fact remains you will get a higher percentage for present capacity than dropping it drastically for future capacity.

MR. DONAHUE: We said 75 percent because that is being done now. But we said pick some percentage of funding for billing for present capacity, and drop that percentage on a sliding scale as you build more capacity. Seventy-five percent isn't a sacred number.

MR. PAI: You have to be careful. Ten percent additional could be an offsetting factor for additional capacity. That is another factor.

MR. ROTHENBAUM: It is not very cost effective to build a treatment plant just for present capacity.

MR. PAI: That is something that hasn't come down to final language yet. We do have cost effective guidelines to address the need for population projections, and so forth, things like that. We could have 5 percent, 25 percent industrial capacity geared into our factors. What we tried to do is say anything above and beyond that probably is the cut-off point, more than the current need. Again the current need is, you can work with that number. The current number is after a plant is constructed or whatever. Basically this gives you the concept of what we are trying to do. We try to make sizing more reasonable.

MR. DONAHUE: The idea behind Alternatives 2 and 3 also, and this is another thing which isn't said specifically, the idea was, okay, the federal government, Congress has enacted the Clean Water Act. EPA is administering it for the Congress, we will help your local community get to where you should be right now to comply with these requirements. After that, you are on your own. We are not going to be in the business forever of handing out grants. There is only so much money we have. A lot of people are complaining about federal intervention in local affairs. We will help on a one-shot basis. After that, you are on your own. That is one of the ideas underlying that kind of recommendation.

MR. RANDOLPH: Any further questions?

If not, thank you very much for attending. I would ask you once again, if you have not filled out a registration card, to do so.

MR. DONAHUE: If anybody would like to meet with us, we will be back here this afternoon to do that.

We have another session tonight at seven o'clock and one tomorrow at ten o'clock.

(Whereupon, the meeting adjourned, to be reconvened at 7:00 P.M. the same date.)

ORIGINAL

INDUSTRIAL COST RECOVERY PUBLIC MEETING

- - -

United States Environmental
Protection Agency
215 Fremont Street
San Francisco, California

Monday Evening, October 23, 1978

The public meeting was reconvened at 7:10 p.m., John Randolph presiding.

- - -

CONTENTS

	page
Introductory Remarks by Mr. Randolph	3
Presentation by Alan Brown	5
Presentation by Ed Donahue	10
Questions and answers	18

PRESENT:

Eugene Boone, P.O. #3111, Zip Code 95353, representing John Inglis Company

MR. RANDOLPH: Good evening. I am John Randolph, and I have been asked by the Regional Administrator to welcome each of you as participants to the public hearing concerning the subject of Industrial Cost Recovery. It is EPA's sincere intention that the public be involved in the study and that the study's statements and concerns be reflected in the final report to the Congress in December of this year.

There will be a briefing on the project and scope by Coopers & Lybrand, management consultant and accounting firm hired by EPA to assist in the study. The presentation by Coopers & Lybrand will present the findings and conclusions of the study as well as some of the possible recommendations which could be made a result of the study. Prepared statements by those individuals who have scheduled a statement in advance will be entertained in the latter portion of the meeting.

Questions and answers and an open but orderly discussion will be invited again at the close of the meeting.

As I stated earlier, I am John Randolph, and my responsibility in Region IX is to review coordination of all proposed Industrial Cost Recovery systems as well as User Charge systems. As you are familiar with, users of Publicly Owned Waste Treatment Systems are required to pay their proportionate share of all operations and maintenance costs. In addition, industrial users pay a proportionate share of the capital cost of the project.

Parameters for establishing the ICR costs are basically two: flow and strength.

With respect to the study that we will be discussing this evening, it is mandated by the Congress in 1977. A contract was awarded in May of this year to Coopers & Lybrand, public accounting firm. The reasons for the selection of Coopers & Lybrand are primarily that Coopers & Lybrand had experience in the area of revenue programs, previous experience with EPA. In addition, they had the personnel available in order to complete the task.

The scope of work is defined in the Congressional Record of December 15, 1977. Some of the issues that were addressed in the REcord include any possible discrimination against particular industries or plants as a result of Industrial Cost Recovery, what differences there may have been in charges by various communities -ecause of ICR or User Charge requirements.

The question was raised, does ICR force industry to relocate?

Again, does ICR increase the cost of pollution control or thereby duplicate the cost to industry?

Several questions were raised by the Congress with respect to the effect of ICR on conservation efforts, primarily water conservation.

Congress was interested in ascertaining whether or not ICR encourages cost effective alternatives for pollution abatement projects.

And finally how are the revenues spent, once they are derived from the ICR system?

At this time I will introduce Mr. Alan Brown to discuss the contractor's portion of the study.

MR. BROWN: My name is Alan Brown. I was responsible for the ICR data collection effort conducted in the western half of the country.

When EPA first asked us to collect ICR data, the first thing we did was go back and look at the 1972 legislative history, to find out what ICR was supposed to accomplish and get our bearings on what the study was supposed to consist of.

Stated briefly, we found there were two major ideas contained in the legislative history or two purposes behind Industrial Cost Recovery.

The first idea was that of equity or equalizing assumed economic advantage, and by that I mean less expensive sewage cost for those industries that use a Publicly Owned Sewage Treatment plant as opposed to those industries that have to treat their own sewage.

The second idea was that of capacity or appropriate sizing of the treatment facilities with adequate but not excess future capacity.

The third idea we found in the legislative history, but not essential to ICR as the others, was an attempt to encourage water conservation.

Now the background material from the 1972 legislative history, together with the legislative history related to the 1977 Act, Congressman Roberts' questions and Congresswoman Heckler's statements on ICR basically serve as the frame of reference for us in this study.

Our initial step that we took in late May of this year was to sit down with EPA and that included John Pai from Washington, John Gall from Region I in Boston, and Ted Horn from Region V in Chicago and put together a shopping list of all the data that we thought would be pertinent to help us answer the questions that Congressman Roberts raised about ICR and some other questions related to User Charges. We took this list of data elements and converted it into two draft survey questionnaires, one for industry and one for the grantees.

The industrial questionnaire was reviewed with associations like National Association of Food Processors in Washington, National Association of Manufacturers and other industrial groups to be sure that the information was available.

AFter refining our questionnaires, we developed a list of people to survey, and we compiled with EPA assistance, a list of approximately 100 cities which we planned to visit in person, and these ranged in size from the little town of Ravenna, Nebraska, population of about 560, to towns as large as New York and Chicago.

We eventually visited 120 cities in person, some of them twice. Our standard procedure was to go into the city and attempt to meet first with the local agency responsible for the wastewater treatment facility and then meet later in the day with any interested industrial groups, civic groups or other associations.

We mailed out our survey questionnaires ahead of time so people would have an idea of what information we were looking for, and would be able to prepare prior to our arrival.

We also stressed that participation in the survey was voluntary. In many cases people took our completed questionnaires and mailed them back to us rather than meeting in person.

In addition to the 100 cities that we visited in person, we came up with a list of 200 additional cities to be surveyed over the telephone. We used basically the same procedure. We mailed out the same questionnaires in advance to the people we surveyed by telephone.

We then came up with a group of five, later expanded to six, industries for detailed study. Although we were interested in the impact of UC/ICR on industry in general, we were particularly interested in industries which met one of the following criteria; whether the industry was labor-intensive, had a low operation margin, was a high water user, was particularly seasonal or impacted by the extent of the pretreatment regulations. The industries that we eventually selected for detailed study were: meat packing industry, dairy products, paper and allied products, secondary metal products, canned and frozen vegetables and fruit, and textiles.

A list of selected establishments in the industries I just mentioned was put together, establishments located in cities we were going to visit in person, and telephone interviews; and the survey forms were mailed out to those establishments.

Our entire data collection effort was conducted in six weeks, using ten teams of C&L consultants across the country.

The second step in the study, just as important as our first, the data collection effort, was to develop mechanisms for public participation in the study. We wanted grass roots involvement and we wanted an open study. What we did was put together an ICR Advisory Group of approximately 40 individuals representing industrial, environmental, civic, local government and Congressional interests; and we relied on these people to keep their local chapters involved in the study. We held monthly meetings in Washington and transcripts of these meetings were mailed to anyone that was interested in them.

The third step in our project was to summarize and analyze the data that we collected, and we are currently completing this task in Washington. But we have reached some preliminary conclusions as to what the data means. We conducted several computerized statistical analyses, and these are currently being refined. Now we have looked at enough data to be able to formulate some possible alternatives to ICR as it is presently constituted and the purpose of the meeting this evening is for us to relate to you what we found and to get your reaction to it.

AFter these ten regional meetings are held, we will put together a draft final report which we plan to circulate widely and the draft report will be written in mid-November. In December we will begin to write our final report which will be delivered to Congress in late December. The final report will contain recommendations to Congress, and we cannot of course guarantee that Congress is going to act on our recommendations.

I will turn the meeting over now to Ed Donahue who will discuss with you what our findings and conclusions are.

MR. BOONE: Are you with EPA yourself?

MR. BROWN: No, I am with Coopers & Lybrand.

MR. PAI: Both of these gentlemen are with Coopers & Lybrand.

MR. DONAHUE: I am Ed Donahue. I am the Project Manager with Coopers & Lybrand in the ICR study. I am here to tell you what we found during the course of the study, what we think it means, and then to present some possible alternatives. The data and statistics that I will be using, based on our study,are currently being studied, validated and refined in our Washington office. Rather than hand out raw data or computer printouts that are understandable to only a few people, we have summarized our data into a handout entitled "ICR Study Data" dated October 10, 1978. You should have received a copy of this handout earlier.

The final version of the data analysis, much more detailed and much more extensive, will be appended to and included in our final report.

Without any further delay, let's look at the data. Remember, though, the data is mostly average data and requires careful thought before using it or it can be misleading. We eventually got data from 241 localities. The best data came from places we actually visited. The data I obtained through telephone surveys was not as complete or precise, but it was still useable. We also obtained data from 397 industrial facilities, mostly through the effort of trade associations. The industrial data is at plant level rather than company level.

Looking at the major issues before looking at specific data, the first thing we want to address is the issue of equity or the assumed economic advantage; namely, less expensive sewage treatment costs for industries using Publicly Owned Treatment Works versus those treating and discharging their own waste. We used a computerized tax model, which we had developed for industrial clients, and modified it to reflect User Charge and ICR situations.

Basically the model incorporates a series of equations which reflect the cost of doing business and enable the company to evaluate alternatives; in essence, a "make or buy" decision. Should a company use Publicly Owned Treatment Works or should it treat its own sewage?

What we found was for some medium or large industries, having compatible waste, it is cheaper in the long run to self-treat, even without including ICR costs, just including User Charges. This is a very significant finding.

What it means is that without ICR or pretreatment cost considered, a large industry should from an economic viewpoint treat its own sewage. This is based on several tax changes that were not really known to the Public Works Committee since they were enacted after the passage of Public Law 92-500 in 1972.

The three tax situations which make it attractive to self-treat sewage are: first, accelerated depreciation over a five-year period for pollution control equipment; second, investment tax credit for capital equipment; and third, use of tax-free Industrial Development Bonds, IDBs to finance self-treatment facilities.

The proposed tax law changes now pending before Congress, those recently enacted and those which will be acted on in early January when the new Congress convenes, will, if enacted, make it more attractive to industry to self-treat their sewage because of the increased investment tax credits. What this finding says is that for many industries it is cheaper to self-treat than to use Publicly Owned Treatment Works. If this is the case, why don't more industries self-treat? There can be several reasons. The first is, they are not located on a river or stream or other receiving body and must use a Publicly Owned Treatment Works. Second is they don't want the hassle of treatment, they do not want to get an NPDES permit. They do not want to build and operate their own sewage treatment plant or similar kind of things. The third thing, which is probably the most common, is that User Charge and Industrial Cost Recovery have not been in effect long enough to see their impact.

The significant thing to bear in mind, though, is that if Industrial Cost Recovery and pretreatment costs are added on top of User Charges, they could be the final straw that drives industry out of Publicly Owned Treatment Works, thus making it more expensive for the remaining Publicly

Owned Treatment Works customers to use the public sewer system. In particular, EPA's application of pretreatment standards is likely to make many industries seriously consider self-treatment.

The second major issue is that of sewage treatment works capacity. Based on the survey of 241 wastewater treatment facilities from which we obtained data, the average Publicly Owned Treatment Works uses only 68 percent of its design capacity. Usage ranges from a low of 4 percent to a high of 120 percent. It appears ICR, as presently formulated, has not acted to put a cap on the construction of excess future capacity in public sewer systems.

The third issue, that of water conservation, is not as clear. Based on industries we surveyed, water consumption has dropped an average of 29 percent. But industries with whom we talked attributed the water conservation to higher water rates and to User Charges, not to Industrial Cost REcovery because Industrial Cost Recovery as a percentage of water bills and User Charges is not that significant at this time.

The economic impact of ICR to date is not significant in most locales, because:

ICR has not been in effect for more than a year or two.

Most grantees have suspended ICR billings while the moratorium is in effect.

The exception to the insignificance of ICR is those cases where there are seasonal users and/or AWT. In those cases, total sewage costs for industries have increased by a factor of several times.

The incremental impact of ICR above User Charges is generally not great with the exception of the two cases just mentioned; the combined impact of User Charge and Industrial Cost Recovery can be very significant.

We can find only a few scattered instances of plant closings due to sewage costs and none attributable solely to ICR. Total jobs lost in the plants that did close was less than 1,000. In every case there were other factors such as plant age which affected the plant closing also.

The impact of ICR appears to be greatest in older cities, particularly in the Northeast, and particularly in small to medium sized cities, and particularly in agricultural communities.

There does not appear to be any impact of Industrial Cost Recovery on national industrial growth patterns to date.

We were not able to differentiate the impact of ICR on small versus large businesses, because very few industrial plants were willing to disclose production or sales data.

The cost to industry of sewage treatment is much greater by about 50 percent per gallon in AWT plants as compared with secondary plants.

The incremental cost to the grantees to maintain and operate Industrial Cost Recovery systems, that is, the "eliminatable cost" above and beyond the cost of maintaining and operating User Charge systems, is small when compared to the total cost of sewage, averaging about $15,000 per grantee per year. Average Industrial Cost Recovery revenues per grantee per year are approximately $88,000, of which $8,800 is retained for discretionary use by the grantee.

There is more data which might be of interest to you that is included in the handout. We would be pleased to discuss psecific data during the question and answer period at the end of our discussion.

To summarize our findings:

ICR is not doing what it was supposed to do.

Relatively few cities have implemented ICR.

Most of those who have implemented ICR have suspended collections.

ICR to date has had no significant impact on employment, plant closings, industrial growth, import/export balance, or local tax bases.

Third, ICR is not proving cost-effective in producing revenues for local or federal governments, at least in most cities.

We must realize, however, that the Clean Water Act had social as well as economic objectives. Among other things, Congress is attempting to avoid the appearance of using public money to subsidize industries that discharged sewage to grant-funded Publicly Owned Treatment Works. While our studies have shown that many of the economic objectives have not been met, the social objectives remain. Accordingly, it is appropriate to consider a series of alternatives to ICR as it now exists.

At this time I will ask you to turn your attention to a document entitled "Preliminary Compilation of Possible Study Alternatives," dated October 10, 1978. The document presents 16 alternatives, ranging from leaving ICR as it now is to outright elimination of Industrial Cost Recovery. These alternatives are not necessarily mutually exclusive.

Nor are they ranked in any order of priority or preference. Some of them could be combined for concurrent use.

What I would like to do at this time is to ask Alan to take these 16 alternatives, go through them one at a time, and tell you a little bit about each of them, and tell you the advantages and disadvantages of them. If you have any questions as we are going through these, feel free to ask them. If you can suggest some other alternatives or some variation or refinement of these alternatives, we would be pleased to hear that also.

Alan, if you would like to discuss the alternatives.

MR. BOONE: Before you start on that, if I may, you are from District IX?

MR. RANDOLPH: Right.

MR. BOONE: What cities in California are actually involved in this ICR program?

MR. RANDOLPH: It is my understanding, I believe there is a winery in Modesto, E & J Gallo. They are involved. That is the only one that comes to mind right now.

MR. DONAHUE: Any city that has taken a grant from EPA and has industry has to have an ICR system, and at present in California, I don't know how many cities have actually implemented Industrial Cost Recovery.

MR. RANDOLPH: I am sure Modesto or at least the Gallo Winery--

MR. BOONE: They have their own treatment plant. Did you ever hear of Boone's Farm Wines? That is named after me. I used to work with them years ago. I went to school with E.and J. Gallo. That is Ernest and Julio. I know them real well. They have their own private treatment plant.

MR. DONAHUE: They are also paying Industrial Cost Recovery. Somebody in the regional office is getting some kind of payments from them. Basically any city in California or any city in the country that took a grant from EPA to build sewage treatment works and has any kind of industrial usage of their sewage treatment system has to set up an ICR system.

MR. RANDOLPH: Let me say something. I am involved with the review and in most cases the approval of the ICR proposal, and that is at the 80 percent completion point. At the point where the plant is 100 percent completed and the grantee starts collecting payments from industrial users, those payments are remitted directly to the financial management officer, and we in the Grant Section are no longer associated with the ICR per se. We are only involved in preliminary phases in terms of approving the financial scheme, if you will.

MR. DONAHUE: Alan could probably tell you off the top of his head a list of most of the cities we visited in California.

MR. BOONE: Do they have these charges going on?

MR. BROWN: No.

MR. BOONE: We have plants in Santa Maria, Salinas, Santa Cruz, Watsonville, Modesto; Ogden, Utah; Bellingham, Washington and Grandview, Washington. I am not familiar with this paying anything in this form. At Modesto, we get a fairly sizeable bill every month there, but it is for volume and strength.

MR. BROWN: Let me go through this and talk a little bit about what User Charges are, what Industrial Cost Recovery is, and maybe I can explain to you why you are not paying it and maybe why you do not recognize it on some of your bills now.

MR. BOONE: We have a hard time keeping up with the user part of it, like at Modesto this last month we got a bill for $19,000 for one month, and we have two meters, Meter "A" and Meter "B." Meter "A" reads in cubic feet. Meter "B" reads in gallons. So the wise girl down at city hall does the Meter "A" properly, because she has to multiply the cubic feet by 7.48 gallons per cubic foot. But she goes over and multiplies the gallons by 7.48, so she owed us 16,000 some odd dollars, which she has to now give us back. We have to catch them at this. We are so busy just watching use, and for example at Santa Cruz, I am looking at it from the practical viewpoint now, how it affects the guy who is trying to make a living in this racket. We have cut our usage down over there; we have actually had some related data to water usage and pounds of product put out and we are running about 17 gallons of water for each pound of finished product out the back door. Now we have that down to 3-1/2.

MR. DONAHUE: Pretty sizeable reduction.

MR. BOONE: It wasn't worth a God damn because the sons of bitches turned around and raised our water bill 50 percent because the city wasn't selling enough water. So what the hell is the use? We are disgusted with the whole thing.

We are paying more for water now. It offsets our savings over there. We say, why fight city hall? Forget about it. Let's just go ahead and use the water. To hell with them. That is the sort of reaction we get on the practical level.

MR. PAI: In the line of your thinking, this is the thing we try to avoid in wastewater treatment practice.

When usage goes down, the rate has to go up to support the overhead.

MR. BOONE: We would rather use more water and pay less for it. Why try to conserve? There's no point.

MR. PAI: Exactly. The point we are trying to address, on the sewage treatment plant we are in the process of doing some planning through which we may be able to avoid that kind of situation. In other words, if we size the thing right, with the water conservation, with this kind of thing in mind, we may not have to size a plant which is too big, and when you start to conserve water, your sewer rate goes up. You see my point. The reason why the water rating goes up--

MR. BOONE: I know why it goes up.

MR. PAI: What we are trying to do is size sewage treatment plants more reasonably, so when anybody conserves water, to reduce their water into the sewer system, they are not going to be penalized by a higher rate. It may work. Give it a chance. It may work. The problem is you have a big, big water plant here. When everybody uses less, you still have to pay the same amount to pay O&M cost. We are trying to say don't build a sewage treatment plant too big, because when you build it too big, no matter how much sewer you are going to use, you are going to eventually pay that amount of money to keep that plant operational.

MR. BOONE: Are you from Washington?

MR. PAI: Yes.

MR. BOONE: Go back and tell them to get busy and write their 301(h) Resolution, because we had all these hearings and all the rest. This is our only salvation. In Santa Cruz we have four industries. We have a tannery, we have Lipton's Tea, we have ourselves, and Pacific Foods, which is a cannery. The cannery is seasonal. We are seasonal. The **tannery** is year-round and Lipton's Tea is year-round. So you have two year-round, two seasonal. We are the only four industries in the City of Santa Cruz, and they are talking about at the top a $65 million sewage treatment plant, and at the bottom, $35 million. Here are four industries.

You say you're looking for a town that is going to close industries down, so look at Santa Cruz. There's one that is, I will guarantee you, if they have that $65 million one. Our sewer bill would be based at the present time somewhere around $250,000 a year. We'll sell the plant off, sell the property, and we will move to some place else, no question.

MR. PAI: The alternative is either to go to secondary or go to primary--

MR. BOONE: We have primary already. We want your approval of ocean outfall. We have ocean outfall already. We want your approval.

MR. DONAHUE: When they talk about a $65 million plant, are they talking AWT?

MR. BONNE: Secondary.

MR. DONAHUE: Not advanced, not tertiary treatment? Secondary treatment?

MR. BOONE: Thirty-five to 65 is the range. I won't be at the meeting, but on Wednesday morning, at seven o'clock, they are meeting again in Santa Cruz.

MR. PAI: Do you feel they sized the plant properly? Is the plant too big?

MR. BOONE: We don't think secondary treatment is necessary at all. We meet eight criteria of 301(h) waiver perfectly. Allwe want is your approval. Instead of wasting your time out here, why don't you go back there and get those people on the ball?

MR. PAI: I'm glad your statement is on the record.

MR. BOONE: You came out to find out what our problems are and I am telling you.

MR. PAI: Give us some more on ICR and User Charge.

MR. BOONE: I don't know anything about them. I haven't experienced them. I am paying for strength and volume. If somebody is charging me for ICR, I don't know it.

MR. DONAHUE: Let Alan explain what the two types of charges are. You may be paying them but not realizing it.

MR. BROWN: Basically if the community took a grant under Public Law 92-500 to upgrade or expand their treatment facility, the law required that the grantee establish a charge to recover operations--

MR. BOONE: Does that mean they are doing it? Does that necessarily follow that they are following that?

MR. BROWN: In most cases, yes.

MR. BOONE: In Modesto are they doing that?

MR. BROWN: Yes.

MR. BOONE: You are sure?

MR. BROWN: Modesto is one of those places we interviewed.

MR. BOONE: They do have an ICR?

MR. BROWN: I am not talking about ICR.

MR. BOONE: I am talking about ICR.

MR. BROWN: Let me tell you what the two charges are. Then you can ask me all the questions you want.

The first charge is the User Charge, which requires the grantee collect back from all the users on the system in proportion to their flows and strengths, loadings to the plant. The operation and maintenance cost of the plant.

MR. BOONE: We are doing that.

MR. BROWN: That is probably the charge you are talking about that bills you on flow and strength.

MR. BOONE: Flow and strength.

MR. BROWN: That is the User Charge. The other kind of charge that Congress required in Public Law 92-500 is the Industrial Cost Recovery Charge. Let's just take a hypothetical example.

MR. BOONE: Take Modesto, so I can identify with it.

MR. BROWN: I am not familiar with Modesto, How large is the plant there?

MR. BOONE: What plant?

MR. BROWN: Sewage treatment plant.

MR. BOONE: It is big. I don't know what the total is.

It cost $14 million, I know that.

MR. BROWN: Let's assume it is a 10 MGD plant and it cost $14 million, and that industry's share of that plant--industry contributes roughly 10 percent of the flow, the BOD and solids.

MR. BOONE: We got $7.2 million from Washington, and we raised $7.2 million, and we built the thing about eight or nine years ago. We were the No. 1, we were the first place in the United States to do this.

MR. RANDOLPH: Off the record.

(Discussion off the record)

MR.DONAHUE: I think we should put this on the record.

MR. BOONE: I have to get on the same wave length; you are talking about something that there is no use to me--I am too nervous to steal, too stupid to lie--I have to be able to identify. I don't think we are involved with this God damn thing.

MR. PAI: You may not be involved with it right now, which is probably the case. You are paying a User Charge which is for operation and maintenance of the plant. ICR is basically what you would have to pay if your city, or whatever they may be, applies for new federal money. In your example, building a secondary plant for anywhere from $55 million to $65 million, generally 75 percent will come from the federal government. Okay? I am trying to use your situation, and explain how this ICR may affect you.

MR. BOONE: What we want to do is we want to get approval of the 301(h) waiver, and we don't want to build a God damn secondary plant in either Watsonville or Santa Cruz. We don't want any part of it.

MR. PAI: If that is the case, you don't need any federal money.

MR. BOONE: I want you to get back to Washington and get busy and get on with the work.

MR. PAI: Let me get on ICR itself. In case your waiver is not approved or you have another plant you want to relocate, in which they would have to require some federal money from this point, then that money, 75 percent, will come from the federal government, which is different than 84-660 which you only received 50 percent grant. The new Water Pollution Act is under 92-500 or 95-217. You can receive up to 75 percent of federal money to build that plant.

MR. BOONE: I don't know if we can afford to accept it.

MR. PAI: That's up to you.

MR. BOONE: Have you read Simons' new book, "A Time for Truth"?

MR. PAI: I heard about it. I heard it is an excellent book.

MR. BOONE: You better read it.

MR. PAI: In case you receive that grant, the law requires that industrial users who use that federally funded facility would have to be required to pay your share of usage of the construction costs back to the federal government. That is what is called Industrial Cost Recovery. You are not affected by ICR right now. But in case any of your plants are in a city which is applying for or receiving federal money, then you will be subjected to the ICR requirement if the law doesn't change. However, there are enough industrial users in the country saying that ICR is an additional or unfair financial burden to them, I would say like in Sacramento. A lot of canneries or canners have a problem because they know they are going to pay ICR sometime along the line if the law doesn't change.

So there is enough concern raised to the Congress that Congress was responding to this concern. The said, hold down the ICR implementation part, don't collect money for 18 months and let's do a study and see how ICR actually affects industrial users.

If you are not involved with ICR, you are lucky at this point, compared to any of the other canneries or frozen food processors in the country. Many of them have said that ICR makes for them a very, very hard decision as to relocation, to close down a plant, to cut down expansion and everything else. So this study is trying to find out what indeed has ICR impacted. Basically we have six major industries and other minor industries that we are concerned with. The study up to this point is what Ed just briefed you on, that it shows that a large industry probably would be better off by going to self-treatment.

MR. BOONE: Suppose that a city like Modesto, let's say, instead of doing it ourselves, on a 50-50 basis, suppose there had been 75-25. So 75 percent of the $14 million, we would have gotten from the federal government, which really means we paid it ourselves. There is no such thing as a free lunch. We understand that real well. We would put up 25 percent on a direct basis. What would my charges be on ICR on that basis?

MR. DONAHUE: If you used 10 percent of capacity of the sewage treatment system, if your company used 10 percent of total capacity--

MR. BOONE: Based on what?

MR. DONAHUE: Based on flow and strength, how many pounds of BOD is the sewage treatment designed to handle--if you use 10 percent of that design capacity--okay, that is 10 percent of the BOD; if you use 10 percent of the flow that the plant was designed to handle, okay--

MR. BOONE: We don't get in trouble on BOD. It is the damn volume that we get in trouble on.

MR. DONAHUE: Whatever portion of the sewage treatment plant you use, whatever percentage of it it is, thatpercent of the federal grant dollars has to be repaid by you over a 30-year basis, so it could be sizeable dollars.

MR. BOONE: Do you have to pay interest?

MR. DONAHUE: No interest.

MR. PAI: To give you an example, $14 million, 75 percent of that--$9.8 million. Assuming you are using 10 percent of capacity, you owe the federal government practically $1 million, payable over 30 years. So each year you would pay approximately $33,000. That is the extent of ICR.

MR. BOONE: That would double my charge at Modesto. Last year I paid $36,000.

MR. PAI: A year?

MR. BOONE: I am against this.

MR. DONAHUE: That is a crude calculation.

MR. BOONE: You don't have to go any further. I am against it.

MR. DONAHUE: We looked at what Industrial Cost Recovery was supposed to do. The theory was,when the law was passed, if you are an industry that uses a public sewer system, and three-quarters of the cost of that public sewer system is paid for by the federal government versus the same kind of company that has to build its own sewage treatment system somewhere out in the boondocks that has to pay 100 percent of it, then supposedly the company that was located in the city using the city sewer system is getting an economic benefit; it is only paying 25 percent of the cost of the sewage treatment plant versus 100 percent, and supposedly you were getting an indirect subsidy doing that; and Industrial Cost Recovery--

MR. BOONE: Tell them to quit worrying about that.

MR. DONAHUE: Industrial Cost Recovery was supposed to equalize those situations. What we found, looking at tax laws, is if you are a large user, it is cheaper for you to treat your own sewage than to use the public sewer system.

MR. BOONE: Do you know the plant at Patterson, California?

MR. RANDOLPH: No, I don't.

MR. BOONE: They just put in their own, and they borrowed like $990,000, almost a million dollars from the state on a 5 percent deal, and bought this ground and put in this system. This is just like 18, 20 miles from Modesto, my plant.

MR. DONAHUE: We made some assumptions about what interest rates are going to be and all of that, how much money you have to pay to borrow money to build your own sewage treatment plant--

MR. BOONE: The state at that time, maybe they charge you more now, but it was 5 percent last year.

MR. DONAHUE: We made some assumptions, and it turned out it was cheaper for larger companies to treat their own sewage than to use public sewer systems. That is even without ICR charge. This is strictly the User Charge kind of thing you are paying now. We said,okay, the economic advantage that was supposed to be there isn't there; and not only is there not an advantage, but it is more expensive to use a public sewer system than to treat your own sewage. If you had Industrial Cost Recovery and pretreatment cost on top of that, you are certainly going to drive industry out of the public sewer system. That is one of the concerns, if you build these big sewage treatment plants and you build them to handle industrial sewage, and industry sees it is more expensive to use the public sewer system than to treat their own, you are going to be stuck with these big sewage treatment plants and somebody is going to have to pay for it. That is one of the concerns.

That is why some of the 16 alternatives have been put together. I think if you would let Alan go through some of them--

MR. BOONE: I like the first one "abolish it."

MR. DONAHUE: A lot of people have said that. If you go back to the statement I made, though, if you were looking at this from purely the legislative intent, is Industrial Cost Recovery doing what Congress wanted it to do, we say it apparently is not. The simple solution would be to suggest eliminating it.

You have to remember Congress operates in a political kind of situation. If we said that, eliminate Industrial Cost Recovery, we are reasonably certain that they would not follow our recommendations.

What we are saying is, if you make the assumption their original objectives of water conservation and sizing sewage treatment plants apparently are still valid objectives, then we should propose some other ways of accomplishing those instead of having this additional cost recovery charge. That is what these alternatives are supposed to address.

Alan, if you could briefly go through some of them.

MR. PAI: Do you want us to go through some of these alternatives?

MR. BOONE: We are meeting with Congressman Mineta on Wednesday at noon in Watsonville. That is the largest concentration of food plants in the United States, Watsonville Freezers. There are 15 of them, including ourselves, and we naturally are going to try to get over our story. That is why I came down here tonight to try to find out what the story was.

MR. PAI: Let me give you another numerical example of ICR impact, possible impact.

Assuming that you would have to build your second plant, okay, say at $50 million, and the federal government put out 75 percent, which means the grant money is $27.5 million, okay? Assuming again that you are using 10 percent of the plant capacity--

MR. BOONE: I hope you said $37 million, not

$27 million. Your arithmetic is not good if you said 27.

MR. PAI: I'm sorry. It's $37.5 million.

MR. BOONE: You talk in these millions like they are water.

MR. PAI: Assuming you are still using 10 percent of the capacity, then your ICR share would be $3.75 million over a 30-year period, and you divide that by 30. You would pay about $120,000 a year.

MR. BOONE: Plus User Charge.

MR. PAI: Definitely. User Charge is always there.

MR. BOONE: We have to; we have no choice.

MR. PAI: I tried to give you some idea why ICR should interest you.

MR. BOONE: Is no good. I didn't drive over here for the God damn beer I just drank. I came here to a meeting to learn something. We have to tell Mineta what the hell we think.

MR. PAI: I did want to tell you the possible impact on you. I am not saying that you will have to do that certainly. I'm not saying that ICR will not be charged, I'm giving you this number cased on the assumption if you do that 50 MGD plant, and if your discharge is 10 pereent, and if ICR remained the way it is, you eventually will pay over a 30-year period of time a total of $3.7 million. That is above, in addition to the User Charge, on a local debt service that you are going to pay. So ICR in this case is of vital interest to you, and I was really saying that if you don't have the time today, at least let Alan go through--

MR. BOONE: I didn't say I didn't. I have to get it in my language here. You fellows are too far ahead of me.

MR. PAI: Are you up with us now?

MR. BOONE: What other ways have we got of getting around this thing, Alan?

MR. BROWN: Well, that's what the alternatives are.

MR. BOONE: Eliminate it. That would be one.

MR. BROWN: That is the first one, the one that comes to mind first. It is going to eliminate a lot of problems industry has.

The second alternative would be to change the grant funding mechanism. Currently EPA will fund 75 percent of a construction project. One possible alternative is to base the grant funding mechanism on a different scale and fund the current needs of the community at 75 percent and have a sliding downward scale so that the federal share is reduced, as the community builds a plant larger than is needed today.

That is one alternative.

MR. BOONE: How will that help me in industry?

MR. BROWN: What that is going to do, it is going to encourage the community, whichever community is building the treatment works, to sit down and plan properly in the beginning so they don't build a plant with excess capacity that costs you more money to operate. It is also going to affect you because it is going to bring you into the planning process. If you plan to expand your operations and your industrial facility, you need more capacity in the treatment works. It is going to make it more beneficial to you to go down and start talking to these people and get involved in the planning process.

MR. PAI: To answer you question, before they finish the design and send you a bill.

MR. BROWN: You will be involved early on in the treatment works. You will know what it is going to cost and how much is out there, and how much to build.

MR. PAI: I want to again try to keep the same wave length with you. The reason we wanted to emphasize the sizing is not what I just mentioned on the water works. If it is built so big, saving water is not going to help your total money. you are going to pay.

MR. BOONE: The only big one going through is the Santa Maria. They had some big ideas, some local politicians thought there was a free lunch on that, and we have got them down but good. Also we have got $450 per lot connection for all those house users down there. They didn't have anything, So we're not stupid, we just look dumb. We are working on that phase of it, but we are just working there. All we knew about was just, you know, strength and volume. This ICR thing, we don't know anything about it. Maybe that is another thing we have got to look at.

MR. PAI: Yes, definitely. As I pointed out, ICR cost could go big if you go ahead with that $50 million construction. It would be a lot for you.

MR. BOONE: Santa Maria wasn't going to be quite that big. Fortunately they got a good percolation there in that Santa Maria River that is right near the ocean, but it was going to be probably 30 million.

MR. PAI: I guess the arithmetic you can work out better than I do. The potential for cost to you is there. It is a potential cost to you. But the sizing affects you in two ways. One way is that it would increase your operation and maintenance cost, which is what you said, based on flow and strength. If overhead cost is too much, everybody will pay a lot more. That affects you every year. Whether at this point you have ICR or not, you would pay that User Charge. So to size it properly is one key to reduce cost to everybody, not only you.

Another thing, as Alan pointed out, there are areas in which they would just go ahead and build a plant, without letting anybody know why they want a size this big. In other words, we have to go through a due process of public participataion. Without generating enough public interest in the sizing, if they size a plant, as you point out, somebody may have some rosy picture of the growth in that area, and they size it too big, and maybe it is reasonable, maybe it is very good planning, but the thing about it is, those people footing the bill should have the knowledge of how much they are going to pay. That is another thing we tried to get industry involved in at an early stage of the planning, not necessarily saying that the existing planning process is not working right; it is just saying that though they are working right, those people who are going to pay for it, including industrial users, and anybody should know in advance, why, how and when and if the plant should be built.

MR. BOONE: We're trying to keep up with you guys, trying to watch you.

MR. PAI: We are trying to keep up with you,too. This is one reason we came all the way from D.C. and we have meetings like this in all ten regions in cities around the country. We try to get people involved in the decision making process. And as I say, you know we find out there is not as much interest as there should be.

MR. BOONE: Have you had quite a few of these meetings already, Alan?

MR. BROWN: We have.

MR. BOONE: Did you get some pretty smart people there that really know something about it? Hell, I don't know anything about this thing.

MR. PAI: We got a lot of smart people from the food industry.

MR. BOONE: Now, what, out of this list of 16, where do they put their money?

MR. BROWN: No. 1.

MR. BOONE: That's what I thought. That's what I liked right off the bat.

MR. BROWN: You don't have to be a genius to pick the one people like. It doesn't cost them money. As Ed tried to explain earlier, the purpose of the study was to find out what kind of impacts these charges have had on industry, and then to propose some workable alternatives. For instance, ICR is not doing what it was intended to do, and we feel it is not. The alternatives that we have got here are possible ways to remedy the situation.

MR. BOONE: Which one of them was kind of in second position?

MR. BROWN: I think No. 6.

MR. BOONE: Six?

MR. PAI: The point here is that the Congressional intent is still valid, and I think is still good. The approach is what is under study. Again, the approach is using ICR as a means to attain the Congressional intent. We feel the intent is still valid, and it is still the intent that we should pursue.

Alternative No. 1 of course would say give up ICR, but if we just abolish ICR, we would not have a mechanism to fulfill the intent of the Congress. So as you may see from Alternatives 2 through 16, there are other means which are not ICR, but however would still fulfill the intent of Congress.

MR. DONAHUE: We feel if we tell Congress they should eliminate Industrial Cost Recovery, that we have, we are obligated to suggest to them some other ways they can accomplish the same thing we were trying to do with Industrial Cost Recovery.

MR. PAI: Well, I think the original intent was a very good one.

MR. BOONE: Maybe if these new Congressmen get back after they have gone through election here and the voters tell them, people in my position, and so on, we'll tend to, if there's any doubt at all, vote against anybody that is incumbent. To hell with them. Just because they have been back there and haven't been doing their work right, we vote against them on general principles. I think people are going to be real surprised when they see the election results this time. People are fed up right up to here with that bunch back there.

MR. PAI: I think some of them are doing a very good job. People may not realize this, but being in Washington a long time I feel Congress will feel the mood of the people. Sometimes when we comment on what Congress is doing, we really should review what mood are we in. We--are we in a spending mood--

MR. BOONE: No. Definitely not.

MR. PAI: You see we changed that in Proposition 13, so Congress, no doubt about it, no matter who you elect, it's just my personal opinion, no matter who you elect, Congress will generally operate in line with what the people's moods are. So if people have become cost conscious, Congress will be. If people are in a spending mood, Congress will be. There is no doubt Congress is the people's Congress.

MR. BOONE: This No. 2, allow the cost of constructing the industrial portion of the treatment works to be grant eligible based on the grantee's option, if industry's share is elected to be grant eligible, industry would be required to pay ICR. If the grantee uses alternative sources of funding for the industrial share, there would be no ICR. What is that alternative? You mean pay it yourself?

MR. BROWN: It would be basically the same situation you went through in Modesto.

MR. BOONE: I understand that. What is in third place?

MR. BROWN: What's in third place? I'm not sure we can pick one that is in third place. No. 4 is fairly popular with everyone.

MR. BOONE: No. 4? That is a nice little one. Let me look at that. "Charge ICR on treatment works only, eliminating ICR charges for interceptor sewers." That eliminates some of it. I don't think in our case that would do us--we're not in a great big city, we're all in little towns. If you are in Chicago, it would be valid.

MR. PAI: You are like this. Why don't I just tell you what the main thrust of these alternatives are. And give you some idea of how these things can be done. If you have any other ideas, we are looking for simplicity.

MR. BOONE: I guarantee I won't have any other ideas because I don't know enough about it.

MR. DONAHUE: You might--

MR. BOONE: At least not tonight.

MR. DONAHUE: It doesn't have to be tonight.

MR. BOONE: Maybe after a few days.

MR. PAI: Anyhow I want to tell you our basis. We tried to simplify the problem from the grantee's point. We tried to get industrial users to participate early for a better planning process.

MR. BOONE: You have no trouble convincing us. We are up to our necks. Our whole frozen food industry, I think, has been very active.

MR. PAI: Last time I had a meeting with some of your reps in D.C., I was very impressed about the activity. Somebody even told me that they hired their own consultant to do their planning just like grantees are doing. They come back and say, listen, my engineer told me that this facility can be done with half the cost, so get on the stick.

MR. BOONE: We, at the City of Watsonville here, we have two engineering firms. Brown and Caldwell is one, and we have one other one. We are checking one against the other. They are a mile apart. We want a second opinion all the time.

MR. PAI: Like a doctor.

The next thing is we want to give the grantee some discretion as to fitting his local conditions. In other words, if you have a lot of other contributions to the community like unemployment, like other things, maybe the grantee will want to give a deal and that is fine with us.

Another item of course is very, very--

MR. BOONE: I think that day is gone.

MR. PAI: For the grantee's discretion?

MR. BOONE: For the grantee to say, you come in and we will give you free sewage, something like that.

MR. PAI: On construction cost, you never know.

MR. BOONE: I am not bumping into any of them that are talking that way now.

MR. PAI: I don't know.

MR. BOONE: They may be around, but I don't bump into them.

MR. PAI: Who knows? Another item, we try to hold down existing cost.

MR. BOONE: Amen. That's good.

MR. PAI: So going back, these are the four bases, four major items that we try to get done with our alternatives. You may not be aware of all these alternatives, what they really mean. When you get down to the bottom line, all these alternatives are trying to serve any of these four purposes here. As you point out, you may not have any input to us today, but as we announced in the morning session, we will extend the comment period to all these alternatives until the end of this month, October 31.

MR. BOONE: What is this law--

MR. BROWN: 92-500.

MR. PAI: That is the one enacted in 1972. Then in 1977 is the new law called 92-217.

MR. BOONE: That is the amendment. What is the one in Modesto?

MR. PAI: 84-660. That is the original law, and it was amended by 92-500, and further amended.

MR. BOONE: This is the 1972 Clean Water Act, and 95-217 is an amendment.

MR. PAI: The 1972, it is called the Federal Water Pollution Act Amendment.

MR. BOONE: That's the one that's got 301 (h) in it?

MR, PAI: Yes, you got that right. So if you don't have any comment or--

MR. BOONE: I came here to learn something.

MR. PAI: I hope you did.

MR. BOONE: We are trying to make a living in this thing, and sewage is just one ofour headaches. We've got a lot of other ones.

MR. PAI: One of the things, the public meetings serve two purposes. Number one is for those people who have a knowledge of the actual impact, give us what they think about it; and the number two purpose, which is as important as the other one is, is for a basic discussion and education purpose. We tell you what they are, and I think you know more about ICR than when you came in. That is one of the purposes of this public meeting.

So we would be glad to sit down with you to talk more about ICR. But basically you have up to October 31 to send in any comment or any other thought you have, and we will look into any thought you send to us.

MR. BOONE: Whose department does this come under back there?

MR. PAI: Mr. Jorling and under John Rhett. Jorling is our Assistant Administrator, and Mr. John Rhett, as a matter of fact, is Deputy Assistant Administrator under him. But I am the Project Officer. I am responsible for doing this study. So you can send your comment to me. I'll give you my address. Or call me. I'll give you my phone number, or the gentleman here will be glad to discuss with you more. One of the things we pointed out, we want grass roots involvement; and you are, no doubt about it, the grass roots we are looking for.

MR. DONAHUE: I think what would probably be good for you to do would be to talk with either Jack Cooper from the National Food Processors or Susan Boolukós from American Frozen Food Institute. They have done a lot of work.

MR. BOONE: Hugh Sims is Susan's--is over Susan Boolukos. Susan Boolukos makes a good impression, but she is not all that technically competent.

MR. PAI: Generally they call me anyhow. When you call them, they generally call me.

MR. BOONE: Hugh Sims is quite technically competent. Susan is a good--you know, nice little kid, runs errands, gets out data and coordinates things, but she is not--she doesn't have too much smarts about the technical side.

MR. PAI: She tries very hard.

MR. BOONE: Good coordinator.

MR. PAI: If she doesn't have the answer, she always calls me and she says, John, one of our members asked me this question and I don't have the answer. I generally give her the answer.

MR. BOONE: She is good about leg work, doing stuff like that.

MR. PAI: She is very responsive to members' requests.

MR. BOONE: Good looking, too.

MR. PAI: If you have any more questions...

MR. BOONE: She's Greek. A good looking Greek girl.

MR. PAI: Anyhow, as I said, you can think about it, and if you have more questions, call us on the phone, write letters to us.

MR. BOONE: I have given you fellows a bad time here.

MR. DONAHUE: No.

MR. PAI: We are enjoying the meeting.

MR. BOONE: I have to pick your brains in my own way here. But to go down through all 16 of these things--have you got any other one in a position anywhere close to the top here?

MR. DONAHUE: Most people never get past the first one and maybe at a couple of others.

MR. BROWN: No. 9, 10, and 11.

MR. BOONE: So many of these things, they assume that you're going to do it, like No. 9, allow tax credit for ICR payment. That assumes you are going to have the damn thing.

MR. PAI: That is not positive thinking.

MR. BOONE: "Abolish ICR and require local share of project cost be recovered through proportionate User Charges." I don't think 84-660 is available any more, is it? That half and half deal? It is my understanding you can't do that any more.

MR. DONAHUE: Most all the alternatives that are set forth here would require some kinds of legislative action. If Congress doesn't act to do something about Industrial Cost Recovery, Congress has said that cities, grantees, did not have to collect Industrial Cost Recovery for an 19-month period, 12 months while the study was supposed to be done, and six months for Congress to make up its mind. If Congress doesn't do something by next July, then Industrial Cost Recovery will come back into effect, and you, maybe not in Modesto, but those cities with recent federal grants will have to start paying Industrial Cost Recovery.

MR. BOONE: The worst enemy back there is, I think, that Muskie.

MR. PAI: I don't think so. I think as far as ICR goes, this Congress asked us to do a very, very open study. In other words, Congress evidently wants to find out for themselves what is the impact, and if there is enough input to indicate--

MR. BOONE: Isn't he kind of the ring leader of this thing? He keeps stirring the pot all the time.

MR. PAI: I don't think so.

MR. BOONE: Who is the worst one we've got back there?

MR. PAI: At this time I think people feel the House is on one side and the Senate on the other side a little bit.

MR. BOONE: The Senate has been the rough one.

MR. PAI: On this ICR study we got a clear signal to do a very, very open study. We have no biased opinion, either, from EPA. Some people think EPA is on the other side of the fence. In this case, I can guarantee this is going to be a fair game. The reason of course is Congress wants to find out what is going on, and this is the very reason when we come here today we don't have a recommendation in mind. We show you what are the possible recommendations. On the net, the public tell us or tell Congress, for that matter, what they feel about ICR itself, and what they would like to replace ICR, if there is any at all.

So unless people or the public indicate what their preference is, and a good reason behind it, then Congress will again be at a loss to determine what to do with ICR. So we really try very hard to get a public reaction to the things we have here. It really is to the public's benefit that they react to it, whatever the favorable alternatives are. But they have to make it known through us to the Congress. Then in this case, maybe Congress will do something that everybody likes for a change.

MR. BOONE: My guess right now from visiting those fellows all the time back there is that Sam Hayakawa would be with us, and Cranston would be against us.

I think John McFall, we have plants in his territory, he'd be with us. There's no question Mineta will be with us.

MR. PAI: I think Congress has a very good grip of what ICR is doing now. At this time I am looking forward that they will take some action on ICR itself. I think it will not split the House or party line or that kind of thing.

MR. BOONE: I don't think it is a party line thing, except as you might interpret Democrats being Liberal and Republicans being Conservatives. The Conservatives will be on our side and the Liberals of course will be against us.

MR. PAI: On the other hand, people always say things about Muskie, let me say without Muskie we probably would not have the money to do this pollution control effort.

MR. DONAHUE: The thing also on political lines, Liberals, Liberals versus Conservatives, one of our concerns in the study was the reaction to whatever we might say by environmental groups, fearing that they might think we were trying to railroad through some kind of something which was not to their best interest. So we have paid particular attention to the concerns of the environmental groups.

MR. BOONE: We have to, and we need the environmental groups. I am a member of the Sierra Club, have been for all my life. I don't agree with everything they do, because they are tugging one way, and in industry we are tugging the other way here. I am all for conservation. I feel like the guy who goes out and buys a $100,000 automobile, and spends all his money for the damn car and doesn't have any money to travel in it, and no gas, no anything. So what is to be gained? You can make laws tough, and you can put a $65 million sewer system at Santa Cruz, people can't pay for it, industry moves out. And so what have you gained?

So you have to get it down to what is affordable.

MR. DONAHUE: Our concern there was that we would recommend something that the environmental groups would be very opposed to, and we wanted to make sure that they understood what we were doing and why. Basically their perspective on Industrial Cost Recovery is pretty much the same as ours. They said, well, the objectives of it, conserving water and building sewage treatment plants of appropriate size are good, and Industrial Cost Recovery was a means to get to that end; and if Industrial Cost Recovery isn't the way to get to that end, and you can suggest some other ways to get there, then we don't really object to that. I think they will not try to prevent some changes to Industrial Cost Recovery.

MR. PAI: One thing we can point out to you in the Advisory Group, we have about an equal number of environmental groups as industrial groups, and after a few monthly meetings we had, they seemed to become good friends. In other words, they all understand the importance of industry in our society as well as environment in our society. Some misunderstanding has been clarified between the two groups.

MR. BOONE: The original group that went to work for EPA back in 1972, a lot of them were pretty theoretical and so on, and just like in the meeting up in Seattle, Jorling was conducting the meeting, a big crowd there, about 175 people there, and it started in the morning. It was a real hot, muggy day in Seattle. No air conditioning, they don't have it up there. The room was full of people, you know. They had television and all that stuff, and lights. Our little group from Watsonville and Santa Cruz--we had five--we had the mayors of two towns and we had the city Public Works Director, and I was there, and a couple fellows from some other plants there. There are five of us going to testify, anyway, and we were scheduled for like 3:30, in the afternoon. The thing went on from nine in the morning, they didn't even stop for lunch, went right on through. I went out and looked up a hardware store, and I bought a lamp, like a miner wears on his head, with a band around his head and a battery on his belt, and so I put that in my briefcase and instead of getting to us at 3:30, it was about five o'clock before they got to us. These people were all asleep up there. The panel looked like they were wrung out. I didn't say anything. I just opened my briefcase. I had a stand like that one, and I set my battery up on the bench, uncoiled the wire, and a few of them began to wake up.

What is that silly bastard doing?

I put the red, white and blue band around my head, and got it adjusted and didn't say anything, turned the light on, and went over and looked Jorling over real good with my light and looked them all over down the line, looked over the audience.

Pretty soon they were all laughing, and they were all awake, having a lot of fun.

I told them some stories and kept my light on all during the meeting. It got down so it wasn't--these guys were all reading from papers, and hell, everybody was asleep.

We got to talking to each other, and Jorling said, I would like to see that. I never saw anything like that. I said, well, you come up here and we will let you try it on at the end of the meeting, and then Lisa said, I want to try it, too. I said, I'll let you try it on one condition. Let me take your picture. We got Jorling and Lisa with the lamp on and got their pictures. I said, I am sorry, folks, I am an impostor, I am really not an industrialist at all. I'm from the Santa Cruz Examiner. This will be in the paper tomorrow morning. They looked kind of funny. I go back to Washington here a few weeks ago and walked into Jorling's office and said, I don't know your name, but you are the guy that had a lamp on his head.

(Laughter)

MR. BOONE: We are involved in this thing, and we are concerned about it. It is big money. I am an old man, I am 70 years old. Hell, I could care less whether the thing--I am going to keep eating, but I've got kids, and we would like to keep the company going and all that.

But the only way you can do it is to be practical, and be concerned and point out where we are going off the deep end.

I have learned more than you think I have here tonight. We will use a lot of this in the meeting Wednesday morning.

MR. DONAHUE: I would suggest you bring up the subject, because I'm sure--

MR. BOONE: I don't think any of us realized what this was going to do to us.

MR. DONAHUE: Well, some places--

MR. BOONE: I am talking about a little frozen food group.

MR. DONAHUE: Sacramento and Stockton.

MR. BOONE: Sacramento understands it because Campbell Soup is up there, a big plant. They have a $400,000 a year sewer bill already.

Modesto, we have got a pretty nice set up.

MR. DONAHUE: Stockton has felt the impact.

MR. BOONE: Right. There are no frozen food plants in Stockton.

In Salinas, for instance, I don't pay any sewer bill. I made a deal with those people over there years ago. I go with what they call industrial drain, and it goes out and the farmers pump water out, and they irrigate ground with it, and if there is anything left, it goes down to the ocean.

They bring them from all over the country to see my separating system. We have palm trees and benches where the people eat their lunch out by the sewer thing. They keep it clean. We have a steam cleaner out there. Every four or five hours they steam the screens off.

We have low BOD and we keep the solids out. We put it right in this ditch. The farmers use water and we are the frozen food plant in town that did it. My competitors over there were paying 60,000 bucks a year for a sewer bill, going into the city system.

MR. DONAHUE: You were foresighted in doing that.

MR. BOONE: We had to get the city charter changed, and a lot of the stuff was goofy. It worked out. Santa Maria, we're right in the throes of this thing. We are in the planning stage.

MR. PAI: We appreciate that you bring this issue back to your members or other industrial users in frozen food, or in the geographic area. Again, we will be here tomorrow morning.

MR. BOONE: I have to go back, I have a Board of Directors meeting at nine in the morning. I have to drive home tonight.

MR. PAI: Call us on the phone, write us letters, and I will give you my address and number. I am glad you dropped by today. I think you are asking a very, very good question. I hope we gave you the answers that will help you. We are not rushing you.

How far a distance?

MR. BOONE: It takes an hour and a half.

MR. PAI: At 55 miles an hour?

(Laughter)

MR. DONAHUE: When you have your meeting on Wednesday, I think the thing you want to talk about, you want to make sure--

MR. BOONE: Where is your car, John?

MR. PAI: Yes, I'll give you mine.

MR. DONAHUE: When somebody is building a sewage treatment plant, you want to make sure they don't build a secondary plant if they don't need one. That is one concern.

MR.BOONE: That's what we're fighting in Watsonville and Santa Cruz. That's why we want this 301(h) thing, and they haven't written the regulations. They haven't written them.

MR. DONAHUE: The second concern is, whatever they build, anything, make sure they build it the right size; one that's big enough to have a little bit of room for expansion, you're going to be stuck now paying for sewage capacity they aren't going to use for 20 years.

MR. BOONE: At my age I can't worry about 20 years.

MR. DONAHUE: You never know.

Thank you very much.

(Whereupon, at 8:32 p.m., the meeting was adjourned, to be reconvened at 10:00 a.m., the following day, Tuesday, October 24, 1978.)

ORIGINAL

1

INDUSTRIAL COST RECOVERY PUBLIC MEETING

- - -

United States Environmental
Protection Agency
215 Fremont Street
San Francisco, California

Tuesday, October 24, 1978

The public meeting was reconvened at 10:05 a.m., John Randolph presiding.

- - -

CONTENTS

page

Questions and Answers 3

PERSONS PRESENT:

R. Lim, 3601 S. Santa Fe Avenue, Vernon, California 90058, representing Glass Containers Corporation

Donald P. Perrin, 2014 T Street, Sacramento, California, 95814, representing JWR&B

F. M. Verlander, 1501 N. Broadway, Walnut Creek, California 94596, representing Brown & Caldwell, Consulting Engineers.

MR. RANDOLPH: Good morning. My name is John Randolph. I have been asked by the Regional Administrator to extend a welcome to you for participating in today's Industrial Cost Recovery meeting. Today's session will be devoted to questions and answers concerning issues raised by the ICR program and study that is being conducted by Coopers & Lybrand.

MR. PAI: For those who have any questions or comments on the findings, on the summaries, or on alternatives that were proposed, or any questions concerning User Charge or Industrial Cost REcovery, feel free to express them.

I guess the gentleman here, you don't have any ICR problem, do you?

MR. LIM: I come here just to know what it is all about. I would like to ask a question not concerning about this at all.

How does this get started and what is the purpose originally and what do you do after you take the water and process it? What do you do with that water?

MR. DONAHUE: A little bit of background. The subject of this meeting is Industrial Cost Recovery, which is an issue related to User Charges. Basically what happens is, if you are a city or sanitary district or whatever, take a federal grant to help you build a wastewater treatment facility, you have to agree to a lot of terms and conditions. You don't have to take the money if you don't want it. If you take it, you have to agree to terms and conditions that go with it.

One of the terms and conditions that goes with federal grant funds that go to build a sewage treatment plant requires you to set up two kinds of charges to your customers.

One is a User Charge and what that does is guarantee that the wastewater treatment system will be self-supporting for operating and maintenance costs. Whatever it cost you to operate the facility, you have to collect from users of the facility on a basis related to volume and strength of their sewage. Somebody that dumps in more sewage and stronger sewage is going to pay more to operate the thing than a home owner for example.

That is one thing.

The other kind of charge you have to set up is what the purpose of this meeting was to talk about, Industrial Cost Recovery which says that whatever portion of the grant that you took to build the sewage treatment facility can be identified as being allocated to industry. If industry accounts for 10 percent of your usage,for example, you have to recover that portion of the federal grant funds from those industrial customers over a 30-year period.

So what you are doing is really getting back part of the federal grant dollars from industrial customers.

The reason for Industrial Cost Recovery, the reasons were really three, if you go back and look at the legislative history back in 1972 when Public Law 92-500 was passed. The theory was that if you were an industry somewhere out in the country and had to build your own sewage treatment plant to treat your own waste because you didn't have access to a public sewer system, you would have to put up 100 percent of that cost of building that plant and operating it. If you are the same industry and located in town with a public sewer system and that town takes federal money to build the sewage treatment plant, in this case the federal government would pay 75 percent of the cost. You as industry in that town are supposedly getting a subsidy because you are only paying 25 percent of the cost of building the sewage treatment plant instead of 100 percent.

It was perceived by members of Congress and their staff people that this was an unfair subsidy being given to industries that use public sewer systems. So what they did was say, okay, we will effectively not give them a grant; whatever part of the grant was used to build sewage treatment facilities for industry in town, we will recover from those industries. That will equalize the supposed advantage they have versus their rural competitors. That was one reason.

The second reason was capacity. If you don't have some kind of mechanism to regulate the size of the sewage treatment plant, industry would typically tell the local government, I need an extra 10 million gallons of sewage capacity for plant expansion; and they may or may not build it, and in the meantime somebody else is paying for it.

So one of the ideas was to try to encourage industry not to get communities to build sewage treatment plants that were too big. If they are too big, they don't get used and everybody else gets stuck paying for them.

The third thing, not as important as the first two, was to encourage water conservation by an additional

The more sewage you have got, the more you are going to pay.

Well, the study that we are currently doing and the purpose for this meeting was to tell people what we found and what we think it means; basically we have compared Industrial Cost Recovery to what its legislative intent was, to three considerations: equity in sewer rates, capacity; proper sizing of sewage treatment plants, and water conservation.

We have concluded that it does not appear to do any of the three things it was supposed to do, and since it has been such a controversial issue and so many local governments have been opposed to it and so many industries have been opposed to it, we think it is appropriate to propose some alternatives. That is why we came up with that list of 16 alternatives, and we are looking for comments on those alternatives, and maybe people can suggest some other alternatives.

Based upon the comments and suggestions we get, plus our own analysis when we have finished all of it, EPA will decide and prepare a set of recommendations that will go to Congress in December because Congress directed that EPA do this study, and give Congess a report by this December.

After we give Congress the report, Congress has six months until the end of next June to act on it. If they don't act on it, the collection of these Industrial Cost Recovery payments, which has been suspended since last January, will go back into force if Congress doesn't act on the recommendations by next June.

We can't guarantee that Congress will act on recommendations we make, but we think we have got enough data and enough, through all these transcripts, enough public sentiment expressed that Congress will act on the recommendations.

That is basically the prupose of the meeting. That is how we got to where we are.

MR. LIM: My last question was, what did you do with that water after you have taken it from our premises? Are you going to process it?

MR. DONAHUE: Clean it up.

MR. LIM: What do you do then?

MR. DONAHUE: Discharge it into a river or stream probably, or possibly you can spread it on land. Depends on where you are located, geographically.

MR. LIM: Can you sell that water after you produce it?

MR. DONAHUE: Sometimes. It depends. Down in

Arizona where water is real scarce, they self-treated sewage effluent and use it for mining purposes to blast ore out and use it for irrigation because they know what's in it. You have to be careful with what is in it. If there is something with heavy metals or something gets into the food chain, you can't use it for agriculture. Sometimes you can. You can sell it. If the community sells it, they should reduce the sewer fees by the same amount of money.

MR. LIM: Do you have a plan in your program that the water you are going to clean is going to be good for drinking?

MR. DONAHUE: Not directly.

MR. PAI: It depends on your local treatment standards. In your case, you discharge into a public system. It goes to the city or county sewage treatment plant. Each plant has a standard to meet. In other words, they may have to reduce, for instance, 85 percent of the pollutants or 95 percent of the pollutants. Each plant may be different. That's where the permit comes in. Each discharge, whether it's a municipal discharge or private discharge, you have to apply for a permit. The permit will stipulate what degree of treatment it should provide for the sewer. Each area may be a little different.

MR. DONAHUE: That is because different locales, depending on where you are going to discharge sewage, you have to clean up more or less because of the condition of the water that is going to receive it. If you are discharging a lot of sewage into very fragile marsh land or something like that, you are probably going to have to clean up a lot more than if you were dumping into the Mississippi River or way out into the ocean. It depends on where you are going to discharge your system, how much you have to clean it up.

MR. PAI: At this point in this country there is no place where they directly take treated effluent into drinking water. Some places they recharge into the ground water, then take it out. This is not directly connected.

MR. DONAHUE: You could, theoretically, clean up sewage adequately so that you could take sewage in one end of the sewage treatment plant and the drinking water out of the other end. But esthetically and politically people get very sensitive about that.

MR. VERLANDER: Are you suggesting or proposing any particular alternative as a recommendation to EPA?

MR. DONAHUE: No, not at this point. We will eventually. Hopefully they will agree with our recommendations and endorse it. But we just put these alternatives together to show the range of things that could be done, and they are alternatives that people from Coopers&Lybrand came up with, people from EPA came up with, or from some trade associations. The alternatives are not ranked in any order of preference. Some of them could be combined.

There are ways that you could devise variations on them, refinements or modifications, but that is just basically a shopping list of things we think are some recommendations that could be made.

MR. VERLANDER: I would like to make a comment. I will introduce myself. My name is Michael Verlander. I work as a rate consultant for the consulting firm of Brown& Caldwell, Consulting Engineers and perform User Charge and Industrial Cost Recovery rate studies for numerous communities throughout California, Oregon, Washington, Idaho, and currently doing one in Michigan.

After just a very quick review of your alternatives, I agree that you have pretty much really hit the gamut of the choices that are available. I also do agree from my experience with your findings that ICR doesn't appear to be satisfying the goals that were originally intended by Congress.

The various alternatives that are proposed seem to treat the three goals intended by Congress to certain degrees or at a certain level. Some may provide equalization so that all industrial users are treated equally as long as they are discharging into Publicly Owned Treatment Works. It appears as though, with the tax laws, these types of alternatives are going to be very difficult to administer.

MR. DONAHUE: Yes, several of the alternatives--any of the alternatives there,except for the one that says leave Industrial Cost Recovery as it is, would require some kind of legislative change, either changing the Clean Water Act or changing the tax laws as well.

In our very long prepared statements, one of the things we did on the issue of equity and equalization of paying comparable kinds of sewer rates, we looked at that. At the time that Industrial Cost Recovery was enacted in 1972, there was a subsidy to industry for using a public sewer system--not a subsidy, a benefit. They were paying less than somebody who treated their own sewage.

But we took a tax model that we used for our private sector tax clients and modified it to reflect sewage costs, sewage treatment costs, and came to the conclusion that for many large industries and medium size industries, and just looking at User Charges that people pay, ignoring Industrial Cost Recovery, just looking at User Charges, it was cheaper for a large or medium size industry to treat their own sewage over the long run than it was to use the public sewer system. That is because of tax changes, because you have accelerated depreciation for pollution control facilities, you have investment tax credits for purchase of capital equipment; and if you are large enough, this is the limiting factor on medium and large size firms. You can place Industrial Development Bonds, tax-free IDB's, with a balloon principal payment at the end.

On a present national value basis, for many companies, it would appear to be less expensive.

MR. VERLANDER: I am not sure all of that is attributable to Industrial Cost Recovery. In general, I find ICR is kind of like the straw on the camel's back. Ordinarily in most of the study I have prepared, it has not amounted to a lot, or to a high charge.

Frequently, and I think a case, possibly by Mr. Hyde, who spoke yesterday, a case in point in Sacramento, the added increment of Industrial Cost Recovery to the User Charge that was developed for that community is enough to provide incentive to a major industry who is charging about 5 MGD of processed wastewater to the municipal system, to, in fact, construct his own treatment facilities, which would of course add another discharge to the Sacramento River and would really be a very economic move for the community of Sacramento as a whole, in that 5 MGD of capacity roughly would be made available to the community, could cause growth pressures that the community doesn't really desire. In other words, it is kind of looking backwards.

What I would encourage is that Industrial Cost Recovery be abolished, that the User Charges be developed throughout the planning process of the grant program. I think that can provide a lot of economic incentive for the industrial users to request a more reasonable sizing of the treatment works for their specific needs.

I found it is typical with industry when they haven't got economic constraints nor even letters of intent or contractual restraints, to request more capacity in what they think they are really going to need to add a buffer.

I think, of course, one of the goals of ICR is eliminate that kind of buffering technique. I think this can be easily done by getting into the economics of the project at an earlier stage, and obviously EPA under Public Law 95-217 is making a very good attempt at doing this.

I find many of the users, major users are involved in the rate-making process very early. They see what the costs are going to be, and they are beginning to encourage the communities not to size. We had a case in the City of Stockton, which you may have heard about, where we have designed a rate structure that does give industry an incentive to basically contract for what they need each year. This could have been broadened at the time the plant was designed, so that the plant wouldn't have been oversized. In fact, it was oversized, it was based on typical engineering decisions that were made in the early seventies, where you looked five or ten years at historical growth and just trended those on out without giving consideration to the cost, the increasing cost of treatment.

MR. DONAHUE: Stockton is also an AWT plant, isn't it?

MR. VERLANDER: Yes. The City of Stockton presents a lot of problems. It is an oversized plant, Advanced Waste Treatment Plant. User Charges are very high. Industrial Cost Recovery charges are not very high at all. The major industry discharging to the City of Stockton has elected to discontinue operations there and move to a valley town that is located further up the river that Stockton is discharging to, which has lower treatment requirements. They virtually have almost a modified primary treatment system which is very inexpensive to operate. Their water costs are less expensive for a major seasonal water user industry. It was advantageous for them to at least temporarily relocate all their canning operations to this other community. This of course does have a negative impact on employment, tax base and so forth to the community of Stockton.

I haven't assessed those myself, and I suppose you may have.

MR. DONAHUE: One of the things we did find everywhere we visited, and we visited 120 cities and talked to another 200 on the telephone and got data from a little better than 400 industrial plants, everywhere we talked to people, we asked about plant closings, employment impact kind of thing. We found several places, five or six plants that had closed allegedly because of increased sewage costs.

When we pursued the matter, even anybody who alleged that a plant closed because of sewage cost--when we pursued the matter, typically we got a letter from the company, we closed the plant because of increased sewage costs. Here are press releases, newspaper articles. This shows how many jobs were lost. I would write them a letter and thank them for it and ask them if I could specifically include their letter and press releases and clippings and whatever, in our final report, as an appendix. Without exception, they wrote back and said of course, it is a matter of public record, we have no objection to including that as part of your final report. However, we would point out there are other factors to affect decisions to close the plant. And usually it was plant age that was the thing.

MR. VERLANDER: I found that was true in Albany where we instituted new rates and the plant did close, and basically it was an old plant and it was right at that borderline where it was economic to make that decision to close it. I think the case in Stockton, though, is an unusual one, and the Tillie Lewis plant there is relatively new, and they put in some new lines, new processing lines, and lots of very new equipment. They are landlocked; they can't really treat their own waste. And I believe they are using it pretty much as a warehousing space now, but it may be one of those exceptions to the rule that a lot of other things entered into the decision.

MR. BROWN: I have talked to the people from Tillie Lewis, and maybe I am confused on which city, because I have been to several. I thought they just closed down or modified their production at Stockton. I didn't realize they moved it some place else.

MR. VERLANDER: I believe it was a major modification. We were told, and I have not followed through on this. You may be more up to date than I, but at the time that I was preparing their final set of rates, Tillie Lewis had reduced discharges in Stockton by about 70 to 80 percent, and the primary case of that reduction was not modifications to lines, to their canning lines, but in fact relocation of a lot of their canning operations.

MR. BROWN: I know they dropped a whole line. I don't remember whether it was tomatoes or peaches.

MR. VERLANDER: I don't believe they are canning peaches there any more. It has just been moved.

MR. DONAHUE: What we found also was that the impact, incremental impact of Industrial Cost Recovery, as you said, above and beyond the User Charge is not all that great in most cases. The combined impact of User Charge and Industrial Cost Recovery can be very great, particularly when you add to that, whenever it is really defined, pretreatment costs that EPA may be forced to impose on industry.

Those things could really push an industry to consider self-treatment or whether it relocates or not, just pulling out of the municipal treatment system.

The other thing is that User Charges and Industrial Cost Recovery cost is phenomenally higher in AWT plants than secondary plants, by a factor of at least 50 percent.

One of the alternatives, if you read very carefully, Alternative No. 2 or 3, Iforget which one, says that one of the possible recommendations would be for EPA to fund current needs only. When we say current needs we basically mean funding secondary treatment. Later if a locale wants to go to AWT, that would be their decision to make. They would have to pay for it. That could cause some jurisdictions, state and locales, a problem.

MR. VERLANDER: That's for sure.

MR. PAI: It seems like wine is an emerging industry in this area. How much would it be affected by ICR?

MR. VERLANDER: What was that?

MR. PAI: Wine industry.

MR. VERLANDER: It looks to me like the biggest problem they will have is with the User Charges. Industrial Cost Recovery isn't ordinarily that large of a charge, but together they are phenomenal.

The thing that I would like to get across in my statement is that I don't wish to see EPA institute regulations that will require User Charges and Industrial Cost Recovery charges to be so high that it will be economic for industry to construct its own treatment. It seems just inherently more efficient and more economically beneficial to me that a municipal treatment works serve a general area and that pretreatment be used to eliminate any noncompatible pollutants prior to the discharge of--into a publicly Owned Treatment Works.

Again, in Sacramento, I think it would be a very unfortunate situation if the major industrial user there does elect to treat his own waste. I don't know whether they are going to be able to get environmental clearance to do so. It is not quite as easy as the industry makes it sound, but there is that potential, and it is just more administration for the state to monitor another discharge point. When you have the treatment capacity in one local place, it makes a lot more sense, rather than having several treatment works.

MR. DONAHUE: In one of the handouts that we had, and this was of particular interest yesterday to the people from Sacramento, was the three-page handout on food processor sewage treatment costs, and we got the statistics by running through data that the National Food Processors Association has furnished us, and as we said, we rely on them giving us accurate data. Since the sample is so large, I think it would factor out any problems. What it appears is that for seasonal users, it is generally--for large seasonal users, it appears generally cheaper to treat their own sewage. If you look at the three variations here, self-treatment, discharge into a receiving body of water, self-treatment with land discharge of the effluent, or using Publicly Owned Treatment Works, they are both noticeably less expensive than using self-treatment or water or land discharge, considerably less expensive than a public sewer system.

MR. VERLANDER: That's right.

MR. DONAHUE: If Congress and EPA really want to encourage industrial participation, the public sewer system is not that much less expensive.

One of the things we say, if it's cheaper for a large industry to self-treat, why don't they do it?

There reasons were:

Some of them are landlocked or aren't on a receiving body of water they can use to discharge to.

The second reason is probably just as prevalent as the first. They just don't want the hassle of the NPDES permit. They don't want to build a sewage treatment capacity, they don't want to operate the darn thing.

The third thing and probably the real reason is because neither the User Charge nor Industrial Cost Recovery have been around long enough to see any economic results.

It takes several years for industries to start migrating to do something.

It would appear in the long run industry will pull out of Publicly Owned Treatment Works, if you make it that much more expensive. Just a little bit more expensive than self-treatment, they will probably stay in, because they don't want a hassle. But if you make it a lot more expensive they will probably pull out.

MR. BROWN: Don, do you have any comments?

MR. PERRIN: No, not on the record.

MR. DONAHUE: Don, does the state have any particular feelings about ICR even informally?

MR. PERRIN: There has been no formal expression of any feelings pro or con. I have my own personal feelings that I would like to talk about off the record.

MR. DONAHUE: Well, from experience, people in the state, we said reading legislative history, the three purposes for Industrial Cost Recovery were equity between those people using public sewer systems and those people self-treating, and that is not something you can affect.

The second thing was encouraging proper sizing of treatment plants, and you want enough capacity but not too much.

And the third thing was water conservation. From your experience, looking at revenue programs, for whatever number of communities out here, does ICR seem to be an efficient way to do that?

MR. PERRIN: As far as equity goes, I don't feel the ICR system is equitable in that it is based on the capital cost, and the capital cost, for example, varies depending on what type of facility you have. As a matter of equity, I would say it really doesn't solve that question. ICR probably does have something to do with the sizing of the plant, but that can be accomplished anyway without ICR. You don't need ICR to accomplish that purpose.

What was the third?

MR. DONAHUE: Water conservation.

What we found was that when we talked from the survey of the 400 industrial plants, they all said yes, since it is an additional charge, and it is related to the quantity of water we use, it encourages water conservation. But we found the average industrial reduction of 29 percent in water consumption after they went to ICR, which is pretty significant, but what almost all industrial people said, almost without exception, is that it encourages water conservation, but it is not very significant, because compared to the User Charge, water cost is so small, it can still be a lot of money, but compared to/the other two items, water charges, it is still really small. They said they couldn't attribute water conservation to Industrial Cost Recovery; it was more likely the water charges than the User Charges.

MR. PAI: Don, I want to point out, I know you don't want to be on the record at this time, because you have not had a chance to review this with your Board, but we have extended the comment period to October 31, so with a state like California, I would appreciate that you state either on your own or from the Board's point, give us some comment.

MR. PERRIN: I would be glad to.

MR. PAI: We would like to see what your comments are. So please use the time and send us something.

MR. PERRIN: I will agree with Mike, the thing that-- ICR by itself isn't that serious, if you look at the total User Charges they are paying, but it might just be an increment of an additional cost that, so to speak, breaks the camel's back. I don't think the amount of the dollars is so critical as to what effect it has on the overall cost.

MR. PAI: Of course we have pretreatment cost coming and other cost. We are concerned with total cost. We are only authorized to study ICR, the total effect of ICR. Pretreatment is very much on everybody's mind at this time. But the way we look at it is, ICR may not serve its purpose, but the intent of ICR is still a valid one. So what we are looking for is to find other ways to fulfill the intent of

ICR, rather than ICR itself. This is something I think both Mike and you agree upon.

So if you have any suggestion on that, as I said, please let us know.

MR. PERRIN: Don Rothenbaum was here last night, and he was supposed to come up with it, if any comments were to be made. We met before the meeting last Friday, and went over a few points, and I think he should have introduced those last night at the meeting.

MR. RANDOLPH: He did, yesterday morning.

MR. VERLANDER: One comment I would like to make. I don't think you are ever going to be able to develop a system that will provide the type of equity that ICR was intended to provide unless you just establish uniform rates at the federal level, and that would never fly.

The rest of it, virtually any other alternative that you investigate is going to be so fraught with administrative problems and I know from working with municipalities myself, many view industries as second-class citizens, and others view them as primary citizens, and there is flexibility within the guidelines that currently exist, via cost allocation procedures, and so forth, that can either make it rough or easy on an industry, depending on the local attitudes.

Basically it is just a morass of administration, and local interpretation is going to really be the final line.

MR. DONAHUE: We would like, if anybody has any comments on the alternatives that we proposed or can think of other alternatives, or can toss some out the window or think of some new ones, we would really like to hear, because the more comments we get, the more people get involved in the thing, the more palatable recommendations will be. Before we make any recommendations to Congress, we want to be able to hand with them, the transcripts of the meeting like this, plus whatever other kinds of public support we can show, to show a decision was arrived at with lots of public input.

MR. PAI: Don, can I ask you a question? I hate to put you on the spot. Look at Alternative 16. Is that going to be a big administrative problem for you?

MR. PERRIN: Requires a letter of commitment?

MR. PAI: Yes.

MR. BROWN: That is a contractual letter of commitment as opposed to the way it is handled now.

MR. PERRIN: I believe that was one of our recommendations that we made in June, during the hearing process on the regulations, that the letter of commitment be substituted for the letter of intent, if we were going to continue with

Industrial Cost Recovery.

MR. PAI: How about without ICR?

MR. PERRIN: Without ICR--

MR. PAI: Just the letter of commitment, for instance, requiring them to pay a fixed amount of User Charge.

MR. PERRIN: I don't see any problem with that.

MR.PAI: Administratively would you have any problem getting a letter of commitment from the industrial user?

MR. PERRIN: In general, I would say no. There are always going to be one or two industries that would probably raise some hackles with that.

MR.VERLANDER: I would like to comment on Alternative 16. I think in theory it is a very good idea in terms of treatment plant and sizing. I think it has also got its problems in that you are now talking about a contract between a municipality and an industry, whereby the municipality would provide a certain amount of treatment capacity. And with that, of course, would have to be associated cost that the industry would have to pay.

During the planning stages of the treatment works where sizing is determined, it is very difficult to ascertain the costs, what they are going to be to that particular industry It would be very difficult to draw a contract which would stipulate cost.

MR. PAI: The contract may stipulate the portion of the cost, not the exact amount.

MR. VERLANDER: I think unless industry saw what he was going to pay, he would be very reluctant to commit himself to a specific capacity.

MR. DONAHUE: I have seen charges just skyrocket in two years, from the initial planning period, where things look very reasonable, to a point where they are so large that it would, if I put myself in industries' shoes, probably make me rethink a few things, such as maybe I should put in more water conservation type processing equipment, because now it is more economic for me to do it. But the original cost that they told me, it wouldn't have been. So I want less capacity, but I have already committed for this large capacity.

MR. PAI: That is two sides of the coin. I guess we talked about this before, Mike. If you want to go to water conservation, you should do it earlier, before the plant was constructed. That is one of the key things we are concerned with, is industry can always go ahead and reduce their water useage by 20 percent, 30 percent, the municipality is holding an empty bag with excess capacity, and most ordinary people have to pay for it.

MR. VERLANDER: What I would like to see, and I think it has worked fairly well here in California, at least the way I view it, maybe EPA doesn't see it this way, but anyway, California on their treatment plant design has a ten-year growth design period and the growth limitations are fairly stringent, I find. So you take your existing capacity and you add whatever zero population would be, or whatever the growth factor is that the state allows, and you come up with a design capacity that the state and EPA will grant fund.

I think then it is a matter of the local community to allocate its treatment capacity resources to whichever user class it wishes to allocate them to, recognizing that if they go beyond the design capacity, they are going to end up with grant ineligible costs.

More importantly, if they fill out their future capacity or excess capacity immediately, that means they are going to have to enter an expansion phase which may not be grant funded. In other words, they have a resource that they have got to identify as such, and they have to allocate. I think it is important that we don't just look at user class, but we let the community look at its needs and allocate its resources accordingly.

As I said, John, I do like the idea of a contract.

I think it has got problems that might be very difficult to resolve when you get right down to it, because industry or no user is going to do anything to conserve water where he has to outlay money or more money than it would cost him not to conserve water, unless it is legislated.

MR. DONAHUE: One of our alternatives, Alternatives 2 and 3 say basically that EPA would fund present needs, however, you design that. That would be present useage plus some small amount of growth, and anything the community wanted to build as far as sewage treatment capacity above and beyond that, would not be grant eligible, and it would be up to the community to come up with money to pay for it.

The idea behind that is a couple things. We don't want to build sewage treatment plants bigger than they have to be. But the other may be a philosophical one, and this came from some people in EPA in Washington, that, okay, the federal government, Congress enacted this law saying these are standards for water cleanliness that you will have to meet. We passed the law, so we will help you get to where you should be right now. We will help you build enough sewage treatment capacity to handle the present situation. And then we're going to get out of this. We won't interfere any more in your community affairs. We are not going to give you any more money, either.

You are on your own after that. That is the thinking behind a couple alternatives.

MR. VERLANDER: Maybe I don't fully understand this on Alternative 2, but it looks like at the point the community applies for a grant, current needs are established. Whatever their discharge is, is probably what the plant would be upgraded to, and ICR would be retained.

MR. DONAHUE: You could also build something with present capacity and not have Industrial Cost Recovery. That would be a variation on that alternative.

MR. VERLANDER: In this alternative it does say it would be retained. What I would like to see is that No. 2 be modified to allow a reasonable growth and not an extensive design period, but something that would get the community over the hump and give them a couple years' breathing time to get the plant operating well and get the water quality standard up, and then make the community responsible for an additional treatment plant, expansions and upgrade as may be required. I would like to see discontinuance of Industrial Cost Recovery, again leaving it to the community to allocate its resources among its users as it sees fit.

I think that industry now is kind of being discriminat against with Industrial Cost Recovery becasue ICR is not meeting its intended purposes. So in fact, all it is, it is an added charge to one group of users that has been isolated.

There is an interesting decision made by the Supreme Court of the State of New York of which you may be aware, in March, 1978. I could provide you with that decision. It had to do with a power company, and the establishment of time-of-day rates, and their the Appellate Court of New York found that the rate structure was discriminatory and would not allow the rates to be instituted because these rates were only applied to certain sizes of users. Of course that makes sense because you have to be a certain size before it is economic to install certain kinds of meters to institute time-of-day rates.

There it was, a clear case this was discrimination in the isolation of certain users that were receiving identical services by the utility.

I don't know if it would have any application here, but I think it is an interesting point.

MR. BROWN: I am not a lawyer but ICR is written into the law. It is a law that you charge it. Now if it is discriminatory, well--

MR. VERLANDER: Laws can be inequitable, I don't think that is the intent of Congress. It appears what was intended to be equitable is now discriminatory, and I think it should be eliminated.

MR. PAI: I think some of the things we see in other parts of the country are not reflected in the State of California, which is a credit to the State of California and the State Water Pollution Control Board. Generally you have a very good process to size the plant properly and get your revenue system down properly. Some of the alternatives or some of the things we intend to correct are reflected in other areas of the country.

MR. VERLANDER: I am well aware of that. That is why I would like to use CAlifornia as a model in terms of sizing of treatment works. I think that is one of the critical things here we are looking at. Of course it does tie into water conservation.

MR. PAI: California has everything going for it. It is not only the people, it has a whole environment, the social circumstances here, and it is just blended right.

MR. VERLANDER: It is interesting. I am doing a job in the State of Oregon where a group of users has asked us to review the User Charge rate structure that is proposed, and that treatment plant is now operating at a third of capacity. It is a brand new treatment plant.

MR. PAI: Where is this?

MR. VERLANDER: It is in a suburb outside of Portland, and I find it absolutely incredible that a community would design a treatment plant that is three times as large as its current needs and won't be fully utilized possibly until beyond the year 2000.

MR. PAI: This is our major concern at this point; I can reasonably doubt that people will ever use that much water throughout their planning period.

One thing particularly in this area is the water conservation effort. Of course the population always grows, but water usage does not always grow.

MR. DONAHUE: We got data from 241 wastewater treatment facilities, and the average utilization was 68 percent of design capacity. That was average. The range was from 4 percent to 120 percent, and that 68 percent is very misleading. All the data is misleading, because it is average, and it is that kind of stuff; but the problem is you get a big city like Chicago or New York, and you have an extra hundred MGD capacity, only a small percentage maybe, and you go to some small town with a 5 MGD plant that is only using 1 MGD and you have a problem. You are building a sewage treatment plant that somebody has to pay for.

The problem of excessive future capacity is really something that has to be faced up to. You don't want to build a treatment plant that is too small. You don't want one that is too big, either. It is a really difficult kind of thing to determine what is the right size.

MR. PAI: Don, in your facility planning, do you generally follow the cost effective guidelines or something in addition to that?

MR. PERRIN: We are now just following cost effectiveness guidelines, as far as grant eligibility for future capacity.

MR. PAI: Sizing?

MR. PERRIN: Sizing, yes. We have had population projections we have been using for the last three or four years.

MR. PAI: So your major control point is population growth? How about industrial growth?

MR. PERRIN: We haven't been funding--the new regulations now allow for an additional 25 percent increase. Our state regulations have allowed for a 10 percent increase.

MR. PAI: Do you give anything in addition to that 10 percent?

MR. PERRIN: Not for industry. We do give an additional capacity depending on what the project is for domestic/commercial, not for industrial.

MR. PAI: Even if they send you a letter of intent?

MR. PERRIN: In our state grant regulations we have existing industrial capacity plus we do allow a letter of commitment for future capacity.

MR. PAI: Five and 10 percent?

MR. PERRIN: There is another additional 10 percent above that.

MR. PAI: In your case, you are allowed 10 percent of the design capacity for industrial growth, any kind of industrial growth;in addition to that 10 percent, you require a letter of commitment?

MR. PERRIN: We require a letter of commitment for any additional industrial growth, and then a combination of that plus existing, we allow another 10 percent on top of that for unforeseen industrial growth.

MR. PAI: That is a good way to do it. That is what we feel is the right thing to do. The cost effective guidelines of course do not have that requirement of commitment for you to go beyond 25 percent of the industrial growth. That is the letter of commitment we are talking about here. In that regard we more or less try to bring the national standard to that.

MR. PERRIN: I think that one of our other reasons for proposing a letter was because the additional industrial capacity, and if all you had was a letter of intent, and at some point in time that industry pulled out, it would really be a heck of a burden on domestic/commercial users to have to pay for additional industrial plus the unforeseen that is included.

MR. PAI: As I said, EPA at one time tried to go that route, and I guess the opportunity wasn't there at that time. How long have you been doing this?

MR. PERRIN: Since 1977. About a year and a half now. Those regulations went into effect in May of 1977.

MR. VERLANDER: Actually that is a relaxation of your initial sizing criteria, because at the time 92-500 went in, growth was allowed for the nonindustrial sector, and the industrial sector was red lined. No growth was allowed.

I think the approach that the state is now using really is a good, happy medium.

MR. PAI: Can you send me a copy?

MR. PERRIN: Yes, I can. I will mention, however, there is talk going on of revising our guidelines or regulations, and bringing them into conformance with the federal. If that does occur, we will be funding for 20 years for treatment plants according to cost effectiveness guidelines, Appendix A, and of course that will bring into account the

25 percent increase in industrial capacity.

MR. PAI: Still, in Appendix A, they don't require a letter of commitment for above and beyond that 25 percent. If you do have to go to 25 percent, it is not necessary that you have to go with a letter of intent versus a letter of commitment difference. I am not arguing about 10 percent or 25 percent, but it is an addition above 10 or 20 percent that is what really matters. You can argue about reasonableness of growth. Ten percent or 25 percent is reasonable. But anything above and beyond that, you should have certain control. That is our feeling at this time.

MR. VERLANDER: It has been our experience that the industrial sector, existing industrial sector, once you do institute User Charges, do reduce their loadings and discharge to treatment works. So it seems to me that 10 percent number has a lot of latitude for the community.

I surely could concur with that. It seems like 25 is very broad.

MR. PAI: BAsically as we pointed out, there are pretreatment costs involved and User Charges involved, and we may see a lot of industrial users decide to treat their own waste, which again would give you a lot of latitude there for what is planned for their growth.

MR. PERRIN: I believe you are aware we have dropped the E-0 projection that was effective in April. We are now funding on the basis of E-150, which is the Department of Finance baseline projection.

MR. PAI: The Department of Commerce has population control.

MR. PERRIN: We are in the process of writing a letter to the Administrator requesting the use of Department of Finance E-150, as a basis for grant eligibility.

MR. PAI: Can you explain that a little bit? What is the difference?

MR. PERRIN: Appendix A of the cost effectiveness guidelines allows you to use state projections, if it is within 5 percent of the BEA projection. The Department of Finance E-150 is about 9 percent above, which keeps it out of that category. Therefore we are requesting a waiver of that condition from the Administrator, and this letter will be going out hopefully sometime next week.

MR. PAI: So instead of having a 5 percent variance, you ask for a 9 percent variance?

MR. PERRIN: Right. We requested a 10 percent variance in the regulations. We didn't get it. So now we are requesting individual variance for the State of California to use E-150.

MR. PAI: You don't have a lot of 208 planning agencies here, do you?

MR. PERRIN: Five of them.

MR. PAI: Is their plan finished?

MR. PERRIN: The State Board Thursday approved 208 plans for San Diego and AMBAG, without a population factor, and Ventura, which means we still have SCAG and ABAG left to do, which are the two big ones.

MR. PAI: Anything else?

Again, October 31 is the cut off for written commen and if you have any questions in the meantime, we will be back in D.C. next week. Call me or call these other gentlemen here for any other discussions.

MR. RANDOLPH: Thank you very much. The meeting is adjourned.

(Whereupon, the meeting was adjourned.)

-2-

INDUSTRIAL COST RECOVERY PUBLIC MEETING

- - -

Federal Building
Seattle, Washington

Wednesday, October 25, 1978

The public meeting was convened at 10:05 a.m., Bob Kussman presiding.

- - -

ORIGINAL

PERSONS PRESENT:

Bruce Brown, P-I

John J. Bonn, Nalley's Fine Foods, 3303 S. 35th St., Tacoma, Washington 98411

Jerry Clarke, Safeway Milk Department

H.O. Davis, Safeway Stores, Inc.

James M. Davis, John Fluke Mfg. Co., Inc.

William T. Dehn, CH2M Hill, 1500 - 114th St. S.E., Bellevue, Washington 98004

Howard Donelson, Boeing

Jim Downing, Ch2M Hill, 1500-114th Ave. S.W., Bellevue, Washington 98004

Howard Edde, Howard Edde, Inc., Bellevue, Washington

Tony Harber, Brown & Caldwell

Douglas A. Hilderbrand, Municipality of Metropolitan Seattle, 821 Second Avenue, Seattle, WAshington 98104

George Houck, Washington State Department of Ecology, Olympia, Washington 98504

Travis Keeler, Overall Laundry Services

A. R. Van Kleeck, Sr. Environmental Engr., Design & Construcution Department, Safeway Stores, Inc., 425 Madison St., Oakland, California 94660

Gary Krahmer, Unified Sewerage Agency, Hillsboro, Oregon

Stanton LeSieur, Unified Sewerage Agency, Hillsboro, Oregon

Charles F. Liebert, Unified Sewerage Agency, Hillsboro, Oregon

Robert McGuire, Agripac Inc., P.O. Box 5346, Salem, Oregon 97304

Bob Meyers Olympia Brewing Co., Box 947, Olympia, Washington 98507

Elwood W. Ott, Seattle Engr. Dept., Room 910 Municipal Bldg., Seattle, Washington 98104 Tel. 206-625-2354

Larry L. Petersen, Metro, 410 W. Harrison, Seattle, Washington 98119

Mike Price, City of Tacoma Sewer Utility

Judy Riley, Metro

Bill Schow, Magic Valley Foods, Inc., P.O. Box 475, Rupert, Idaho 83350

W. T. Sprake, Gordner Engineers, Inc., 3rd & Cherry, Seattle, Washington 93103

John D. Thomas, Metro Wastewater Management Commission, P.S.B., 125 Eighth Ave., Eugene, Oregon 97401

Bill Whittom, Mayor, Rupert, Idaho 83350

Gary C.Young, P.E., City Engineer, City of Twin Falls,P.O. Box 1907, Twin Falls, Idaho 83301

- - -

MR. KUSSMAN: Good morning. My name is Bob Kussman. On behalf of the Regional Administrator I would like to welcome you for this meeting, which is a part of EPA's Industrial Cost Recovery, a task mandated by Public Law 95-217 enacted last December.

It is our intention that the public be involved in the study and that the public's comments and concerns be reflected in the final report to Congress.

In order to make certain that everyone has the opportunity to be heard, we must have a simple, understandable orderly meeting. To assure this, we will observe the following order of procedure.

First we will have an explanation of the purpose of the ICR study and of this meeting by Christine Noah-Nichols, our Regional Specialist for User Charge and Industrial Cost Recovery.

Secondly, there will be a briefing of the project scope and methodology by Alan Brown of Coopers & Lybrand, the management consulting and accounting firm hired by EPA to assist in the study.

Thirdly, we will have a presentation by Ed Donahue of Coopers & Lybrand, of the findings and conclusions of this study, as well as some of the possible recommendations which could be made as a result of the study.

Wh will then follow with prepared statements by those individuals who have scheduled a statement in advance, followed by prepared statements by anyone else who has a written statement.

Finally, we will have a question and answer period and an open but orderly discussion.

We intend for everyone to be heard who wishes to speak. I must insist that we follow the format just outlined.

ICR is a topical issue and we want the Congress to be aware of the grass roots concern related to ICR. We will stay as long as necessary to conclude the discussion.

We have a court reporter with us today, and a transcript of the meeting will be appended to the final report which goes to Congress.

For that reason, I must ask you to speak clearly and slowly and one at a time.

I would now like to present Christine Noah-Nichols, our Regional ICR Specialist, who will explain the purpose of the study and this meeting.

MS. NOAH-NICHOLS: I am Christine Noah-Nichols from the Wastewater Operations Branch. I coordinate User Charge a and ICR reviews in Region X. I don't do all of them but I have been involved in several of them.

I would like to tell you briefly why the study is being conducted and why we are having the meeting today.

As we all know, with Public Law 92-500, Congress intended that wastewater treatment facilities be operated as well-supported nonprofit public utilities.

To achieve this, Section 204(b) of the 1972 Act required grantees to develop and maintain two kinds of rate systems. One of these was User Charge systems and covers operating, maintenance and minor replacement cost, all of which are needed to keep the treatment plant operating up to standard. The requirements went one step further and also specified that User Charges be proportional to the usage of the system.

The other system is Industrial Cost Recovery, and its intent is to recover from industrial users the portion of the grant identified with construction of capacity for those industries.

Now, although some jurisdictions may disagree with particular EPA regulations and guidelines related to User

Charges, most grantees agree in principle with the idea of economic self-sufficiency, for the wastewater treatment systems

ICR on the other hand is a topic which has created a great deal of debate over the last six years or so. As you know, in December, Congress enacted the Clean WAter Act of 1977, Public Law 95-217. This Act made several modifications to the 1972 Act. One of these was Section 75 which specified that EPA would study the efficiency of and the need for ICR.

The study was at least to include an analysis of the impact of ICR on rural communities and on industries in economically distressed areas or areas of high unemployment.

The report is to be delivered to Congress by December 31 of this year, and that isn't too far away. This last May EPA contracted with Coopers & Lybrand to conduct the ICR study for the agency.

Coopers & Lybrand is a management consulting and accounting firm, for those of you who are not familiar with the name, one of the largest of the big 8 CPA firms. The firm was selected for several reasons. I will just highlight a couple of the key reasons.

For one thing,they had the necessary expertise and familiarity with User Charge and ICR requirements, having performed User Charge/ICR work for grantees and done some regulatory evaluating for EPA.

And also they had sufficient experienced personnel available to perform the study within the very short time period necessary.

Secondly, Coopers & Lybrand is highly regarded by industrial communities and local governments, both of which have had previous exposure to CPA firms as objective and disinterested auditors and as management consultants.

The purpose of the study was to carry out the instructions of Congress. The basis for the scope of the work was a set of questions inserted in the Congressional Record of December 15, 1977 by Congressman Roberts. Some of you have received copies of those questions already.

He says, and I will quote the first paragraph:

"It has long been the intent of Congress to encourage participation in Public Owned Treatment Works by industry. The conferees are most concerned over the impact with which the Industrial Cost Recovery provision of existing law may have on industrial participation in these public systems. Accordingly, the Industrial Cost Recovery, Section 75, has been incorporated in the Conference Report and EPA is encouraged to submit the results of the study as soon as possible so that Congress can take action on any recommendation that are forthcoming.

"It is expected that the Administrator will consult with all interested groups in conducting this study and that the study will address at least the following questions," and I will paraphrase a few of these for you.

1. Does ICR discriminate against particular industries or industrial plants in different locations?

2. What is the combined impact of User Charge and ICR requirements? Do they cause some communities to charge much higher costs for waste treatment than other communities in the same geographic area?

3. Does the ICR program drive industries out of municipal systems?

4. Do industries tying into municipal systems pay more or less for pollution control than direct discharges?

5. Does the ICR program encourage conservation and what is its economic and environmental impact?

6. Does the ICR program encourage cost effective solutions to water pollution problems.?

7. How much revenue will this program produce for local, state and federal governments and what should they be used for?

8. What are the administrative costs of this program?

What are the costs and side benefits of monitoring industrial effluent for ICR purposes?

What about tracking the number of industries?

What are the impacts of seasonal discharges or other changes in strength and quantity of effluents discharged by individual industries?

And lastly, should small industries be exempted from ICR? How small, and is there a reasonable cut-off based on percentage flow?

Coopers & Lybrand has been busy for the past five months speaking with and gathering data from a cross-section of interests in order to address these very questions.

As a final action, in their data collection phase, ten meetings are being held, one in each EPA region and this is one of those meetings.

There are four general purposes for inviting you here today. One is to present a summary of the data gathered to date and some preliminary conclusions.

Another is to present some potential alternatives to the current ICR system for your consideration.

The other two are to answer as many of your questions as possible and to get statements and information from all interested parties, especially those who have not yet had direct input into the study.

The last purpose is no doubt the main reason you are here today. I know it is our primary purpose.

After our short presentation, the remainder of our time today will be spent just listening to what you have to say.

Now, here to give you an idea of how the study is being conducted is Alan Brown of Coopers & Lybrand and he will tell us briefly what they have been doing for the past five months. Thank you.

MR. BROWN: Good morning. My name is Alan Brown. I am with Coopers & Lybrand, and I was responsible for the data collection effort in the western half of the country.

When EPA first asked us to conduct an ICR study, the first thing that we did when EPA asked us to conduct the study was to go back and look at the 1972 legislative history related to Public Law 92-500 and the specific sections that addressed the User Charge and Industrial Cost Recovery in order for us to find out exactly what ICR was supposed to accomplish.

Now, stated briefly, we found after reading the legislative history that there are two major ideas contained in there. One idea is an idea of equity or an attempt to equalize the assumed economic advantage; namely, less expensive sewage costs for those industries that have the ability to use publicly owned sewage systems, as opposed to those industries that have to treat their own sewage.

The other idea that Congress was very concerned about was that of capacity, or the appropriate sizing of wastewater treatment facilities with adequate but not excess future capacity.

The third idea that we found was not quite as central to ICR as the first two, was an attempt to encourage water conservation.

Now, this background material from the legislative history together with legislative history related to the 1977 Act and Congressman Roberts' questions which Chris read for you and Congresswoman Heckler's statements on ICR served as the frame of reference for us to plan the study. The initial step we took in late May of this year was to sit down with EPA representatives like John Pai, John Gall from Region I, and Ted Horn from Region V and basically put together a shopping list of every piece of data that we thought would help us in answering the specific questions that have been asked about ICR and some of the more general questions related to User Charges.

Now, we took this shopping list of data elements and converted it into two draft survey questionnaires. One questionnaire was designed to be used by industry and one for grantees.

The draft industrial questionnaire was reviewed with the National Food Processors Association, the National Association of Manufacturers, and other public and industrial associations and groups in an attempt by us to be certain that the information we were asking for was available and that industry could provide it.

After refining the questionnaires, we developed a list of people to survey. These came into two categories.

We first compiled with the EPA regional office assistance a list of approximately 100 cities which we planned to visit in person. These cities ranged in size from Ravenna, Nebraska, which has a population of roughly 550, to cities as large as New York and Chicago.

We eventually visited approximately 120 cities, some of them twice, if there was strong local interest in the study. Our standard procedure was to meet in the morning or first part of the day with a local agency responsible for wastewater and then later in the day with industrial groups or civic or public interest groups, if there was sufficient interest.

In all cases we mailed survey questionnaires out ahead of time to the people we were going to meet with, so they would know the kind of data we were looking for and be able to prepare a little before we showed up. We stressed that participation in the survey was voluntary and in many cases people mailed in completed questionnaires rather than meeting with us personally.

The second category of people we were going to talk to were a list of 200 additional cities that we surveyed by telephone. The same questionnaires were used and these questionnaires were mailed out in advance to the people that we were surveying.

Next we came up with a group of five which was later expanded to six industries for detailed study. Although we were interested in the impacts on industry in general, we were particularly interested in industries which met one or more of the following criteria. We were looking at industries that were particularly labor-intensive, that had low operating margins, were high water users, that were particularly seasonal or were particularly impacted by the extent of pretreatment regulations.

The industries that we eventually selected for detailed study were the meat packing industry, dairy products, paper and allied products, secondary metal products, canned and frozen fruit and vegetalbes and the textile industry.

A list of selected establishments in those industries that I just mentioned located in the cities which we planned to visit in person and in a telephone survey was prepared and survey forms mailed to those establishments.

Now, our entire data collection effort was accomplished in six weeks, by using ten teams of C & L consultants across the country.

The second step in the study, and we felt just as important as the first, was to develop a mechanism for public participation in the study. Our primary concern was that we have grass roots involvement in the study and we wanted the study to be an open one.

We put together an ICR Advisory Group of approximately 40 individuals representing industry, environmental, civic, local government and Congressional interests, and relied on these groups to keep their local chapters involved in the study. We held monthly meetings in Washington and transcripts of our meetings were mailed to anyone that was interested in them.

The third step in the project is to summarize and analyze the data that we have collected so far. We are currently meeting this task in our Washington office and have reached some preliminary conclusions as to what the data means.

We performed several computerized statistical analyses and these are currently being refined.

We feel that we have looked at enough data to be able to formulate some possible alternatives to ICR as it is presently constituted, and the purpose of this meeting today is to relate to you what we have found and to get your reactions to it.

After these ten regional meetings are held, we will put together a draft final report which will be widely circulated. Our time schedule for this is to have the draft final report completed by mid-November. Then in December we will begin to write our final report which will be delivered to Congress in late December. The final report will contain recommendations to Congress. We cannot, however, guarantee that Congress will act on our recommendations.

Since you are all interested in our findings and conclusions, I will turn the meeting over to Ed Donahue, who will relate to you what we have found, what we think it means and some possible alternatives to ICR.

MR. DONAHUE: Good morning, my name is Ed Donahue, I am Project Manager for Coopers & Lybrand in the ICR study. I am here to tell you what we found in the course of our study, what we think it means and present some possible alternatives.

The data and statistics that I will be using are based on our study and are currently being studied, validated and refined in our Washington office. Rather then hand out raw data or computer printouts that are understandable to only a few people, we have summarized our data into a handout entitled "ICR Study Data" dated October 10, 1978. You should already have received copies of this handout.

The final version of the data analysis will be much more detailed, much more extensive, to be appended to and included in our final report.

There is also a one-page summary of findings and conclusions which we just had reproduced and it will be available for anybody who wants it.

Without further delay, let's examine the data. Remember, though, the data is national data and it is average, therefore requires careful thought before using it, because it can be very misleading. We eventually got data from 241 municipalities, sanitary districts, EPA grantees. The best data came from places we actually visited. Data obtained through telephone surveys was not as complete or precise but was still useable.

We also obtained data from 397 industrial facilities, mostly through efforts of trade associations. The industrial data is at plant level rather than at company level.

Looking at the major issues before looking at specifi data, the first thing we want to address is the issue of equity or the assumed economic advantage; namely, less expensive sewage treatment cost for industries using the Publicly Owned Treatment Works, POTWs, versus those treating and discharging their own waste. We used a computerized tax model which we developed for industrial clients, and modified to reflect the User Charges and ICR situation.

Basically the model includes a series of equations which reflect the cost of doing business, and enable the company to evaluate alternatives in a sense, a "make or buy" decision. Should the company use a POTW or treat its own sewage? What we found was for some medium or large industries having compatible waste, it is cheaper in the long run to self-treat, even without including ICR charges, just including User Charges. This is a very significant finding. What it means without ICR or pretreatment cost, large industries should, from an economic viewpoint, treat their own sewage. This is based on several tax changes that were not really known to the Public Works Committee when they wrote Public Law 92-500. Several have been enacted since 1972 when 92-500 was enacted. Basically these tax changes are three.

The first is accelerated depreciation over a five-year period for pollution control equipment.

The second is investment tax credits for capital equipment.

And the third is the use of Industrial Development Bonds, tax-free IDBs to finance self-treatment facilities.

The proposed tax law changes, some were just recently enacted and some which will be addressed when Congress reconvanves in January, will, if enacted, make it even more attractive for industries to self-treat because of the increased tax credits which are proposed. What this finding says is that for many industries it is cheaper to self-treat than to use POTW. If this is the case, why don't more industries self-treat? There can be several reasons. The first and most obvious one is that they are not located on a river or stream or other receiving body of water where they can discharge directly. So therefore they must use a POTW.

The second and probably fairly common, is they just don't want the hassle of self-treatment. They don't want a NPDES permit, they don't want to operate and build a sewage treatment facility.

The third reason and probably the greatest one at the moment, is that the User Charge and Industrial Cost Recovery have just not been around long enough to see their effects. The second thing to bear in mind, though, is if ICR and pretreatment costs are added on top of User Charges, they could very well be the final straw that drives industry out of POTWs, thus making it more expensive for the remaining POTW customers to use the public sewer system.

In particular, EPA's application of pretreatment standards is likely to make many industries give serious consideration to self-treatment.

The second issue is that of POTW capacity. Based on our survey of 241 wastewater treatment facilities, from which we obtained data, the average POTW uses only 68 percent of its design capacity. The useage ranges from a low of 4 percent to a high of 120 percent. It appears Industrial Cost Recovery as presently formulated has not acted to put a cap on construction of excess future capacity in POTWs.

The third issue is that of water conservation, and the outcome is not as clear. Based on industries we surveyed, water consumption has dropped an average of 29 percent, but industries with whom we talked, attributed the water conservation to higher water rates and to User Charges, not to Industrial Cost Recovery, because Industrial Cost Recovery as a percentage of water costs and User Charges is not that significant at this time.

The economic impact of Industrial Cost Recovery to date is not significant in most locales, because ICR has not been in effect for more than a year or two, and most grantees have suspended ICR billings, while the ICR moratorium is in effect. The exception to insignificance of Industrial Cost Recovery is those cases where there are seasonal users and/or advanced waste treatment. In those cases, the total sewage costs for industry have increased by a factor of several times. The incremental impact of ICR above User Charges is generally not great, with the exception of the two cases just mentioned. The combined impact of User Charge and Industrial Cost Recovery can be very significant. We can find only a few scattered instances of plant closings due to sewage cost, and non attributable solely to Industrial Cost Recovery.

The total jobs lost in the plants that did close was less than a thousand. In every case there were other factors such as plant age which affected the plant closing decision, also.

The impact of Industrial Cost Recovery appears to be greatest in older cities, particularly in the Northeast, and particularly in small to medium size cities, and I think in agricultural communities. There does not appear to be any impact of ICR on industrial growth patterns to date. We were not able to differentiate the impact of ICR on small versus large businesses, because very few industrial plants were willing to disclose production or sales data.

The costs to industry of sewage treatment is much greater by a factor of about 50 percent per gallon in AWT plants as compared with secondary plants.

The incremental cost to grantees to maintain and operate Industrial Cost Recovery systems; that is, the "eliminatable" cost above and beyond the cost of maintaining the User Charge systems is small when compared to the total cost of sewage treatment, averaging about $15,000 per grantee per year. The average ICR revenues per grantee per year are approximately $88,000, of which $8,000 is retained for discretionary use by the grantee.

There is more data which might be of interest to you that is included in the handout and we would be pleased to discuss specific data during the question and answer period at the end of our meeting.

To summarize our conclusions and our findings very briefly, ICR is not doing what it was supposed to do. Relatively few cities have implemented ICR. Those that have,

have suspended billings during the moratorium.

ICR to date has had no significant impact on employment, on plant closings, on industrial growth, import/export balances or in local tax bases.

ICR is not proving cost effective in producing revenues for local or federal governments, at least in most cities.

We must realize, however, that the Clean Water Act had social as well as economic objectives. Among other things, Congress was attempting to avoid the appearance of using public money to subsidize industries that discharge to grant-funded public sewer systems.

While our studies have shown that many of the economic objectives have not been met, the social objectives remain, and accordingly it is appropriate to consider a series of alternatives to Industrial Cost Recovery as it now exists.

At this time I will ask everyone to turn their attention to a document entitled "Preliminary Compilation of Possible Study Alternatives," dated October 10, 1978, which you should already have a copy of. The document presents 16 alternatives to Industrial Cost Recovery, ranging from leaving ICR as it is now to outright elimination of Industrial Cost Recovery. These alternatives are not ranked in any order of preference. They are not necessarily mutually exclusive. They could be combined. They could be refined. They could be modified.

What I would like to do is adjourn the meeting for 15 or 20 minutes to allow people to look through those alternatives and get some initial feelings about them. I would like to reconvene the meeting and have Alan Brown go through those alternatives, one at a time, explaining the advantages of each, and the disadvantages. After that, we will take prepared statements. Unless somebody at the table has something to say right now, I would like to adjourn to about 10:45, or ten of eleven.

MS. NOAH-NICHOLS: One point. I have several questions on where to turn in written statements, and within what time period, if you don't have them today; and the word is that they should be sent to Coopers & Lybrand by October 31.

MR. BROWN: Anybody that is interested come by and we can give you an address.

MR. DONAHUE: Also you can send written comments to Chris in the regional office.

MS. NOAH-NICHOLS: I will send them on.

MR. DONAHUE: Barring anything else, we will adjourn for 15 or 20 minutes.

(Brief recess)

MR. DONAHUE: If we could reconvene the meeting. As I mentioned before we adjourned, we prepared a list of 16 possible alternatives to Industrial Cost Recovery. We prepared some of them, we got some ideas from people in EPA and some people from the trade associations, and as I said, we don't have any preference. We are not endorsing or rejecting any of the recommendations at this point. They are not in any order of preference and they are not necessarily mutually exclusive. You could combine some of them. They are all subject to being modified or changed or whatever. What I would like to do is ask Alan to go through the 16 alternatives and discuss some of the advantages or disadvantages of each of them. Alan.

MR. BROWN: What we have got here are 16 alternatives. Please keep in mind that the advantages and disadvantages are not tremendously extensive. We tried to put down a few ideas so that people would have something to discuss and what we thought were the major considerations for each alternative. We realize that these lists could be much longer.

If you will look under some of the disadvantages, frequently it is mentioned that it is going to eliminate ICR revenues to the federal government and to local and state governments. What we are talking about here, I think we should be familiar with it, based on our projections over a 30-year period, the total amount to be collected from ICR will range from $1 billion to $2 billion. That is total ICR revenue collected over 30 years. This varies significantly from earlier projections of roughly $4-1/2 billion to $7 billion. When you consider that local communities or grantees can keep ten percent of this money to do with as they want, and 50 percent is returned to the federal government, then you divide everything by 30 years. You are really not talking about huge amounts of money every year in most cases. So when you see that listed as a disadvantage just keep that in mind, that is what we are talking about there.

Alternative No. 1 and probably the first one to come to everyone's mind is to simply abolish ICR and replace it with nothing.

The advantage here would be to eliminate complaints that we hear frequently from grantees that ICR is not cost effective, that it is difficult to monitor and difficult to administer. It would eliminate complaints from industries that ICR is double taxation and that ICR adds unfair economic burdens to the industry, depending upon what part of the country they are in, and what kind of plant they discharge to.

It would also eliminate the inconsistent ICR rates that we see from region to region and from different parts of the country.

Some of the major disadvantages here are keeping in mind that ICR, one of the intentions of ICR was to help put a cap on the size of treatment works. Without some control over the design parameters allocated to industry, abolishing ICR may encourage grantees to plan and construct treatment works that are larger than necessary, the other disadvantage being it would reduce revenues.

Alternative No. 2 is to attempt to base grant funding for elibible project costs, including the industrial components on a sliding scale, funding current needs at 75 percent and reducing the federal share of total project costs as grantees plant the treatment works larger than current needs indicate. ICR would be based on the current regulations.

Let me talk a little bit first of all about current needs. This has been discussed in other meetings. Current needs could be defined as the capacity and need today with a reasonable period or a reasonable amount allocated to future growth. Now,basing the grant funding on a sliding scale and reducing the total project costs as the plant becomes larger than current needs indicate, would do several things.

One would be to encourage more front end planning, and reduce the amount of excess capacity that is being built today.

Another advantage would be to encourage industry to participate early in the planning process and become involved in the sizing and designing of treatment plants early on.

The major disadvantage here is that it may not be cost effective to build a plant based strictly on current needs when you are attempting to design a plant for an area that is large and rapidly growing.

Another disadvantage is that it is going to increase the total local share of cost for grantees if the grantee decides to build a plant with excess capacity.

Alternative No. 3 is a great deal similar to No. 2, with one major difference, the difference being that there would be no grant funding for the industrial component in the plant.

Alternative No. 3 is to base grant funding for eligible project costs on a sliding scale, funding current domestic needs only at 75 percent and reducing the federal share of total project costs as treatment works is designed.

As I said before, this differs from No. 2 in that there is no federal grant funding for the industrial component. Since there would be no federal grant allocated to industry, there would be no ICR, So ICR would be abolished in this Alternative.

The advantage here would be to eliminate the grantees' complaints about ICR not being cost effective and difficult to monitor and administer, It would eliminate complaints from industry that there is double taxation and an unfair economic burden. It would eliminate costs associated with implementing and monitoring the ICR systems both at the grantee level and the EPA level. And it would tend to encourage better facility planning.

The disadvantage here is that it is going to increase the local share of project costs, because there would be no federal funding for industry, and the additional cost may be passed through to industrial users and should exceed ICR costs because of the fact that there is no federal funding for industry.

Alternative No. 4 is to charge ICR strictly on the treatment works and eliminating any ICR charges that have been developed for interceptor sewers.

This has the advantage of reducing administrative work that grantees have to perform oftentimes in an attempt to identify specific industries discharging to specific interceptor sewers. The grantees have complained it is very, very difficult when you have a large service area with many segmented projects, it is awfully tough to figure out which industry discharges where, and how much to charge them for ICR on the interceptor.

The major disadvantage here would be to reduce revenues.

Alternative No. 5 would be to base industry's share of the federal grant on an incremental cost basis rather than on proportional cost basis as is the case now.

A hypothetical instance would be, say, you design a 10 MGD plant to meet needs of the total community, and two million gallons per day of that would be allocated to industry. What you try to do is determine what it would cost if you built an 8 MGD plant and what it would cost if you built a 10 MGD plant, and the difference there, the incremental cost between 8 and 10, would be the amount that would have to be paid through ICR for industry. What this would do would be to allow industry to receive benefits of economies of scale, using the incremental cost basis. And I think most of you can see the major disadvantage would be it is going to be extremely difficult to determine just exactly what the incremental cost actually is.

Alternative 6 would be to allow cost of constructing industry's portion of the treatment works to be grant eligible based on the grantee's option. If the grantee elects to have the industrial component of the treatment facility be grant eligible, industry would be required to pay ICR just as they are today, based on current regulations. If the grantee uses alternative sources of funding for the industrial share, there would be no ICR.

Now, grant eligibility here, once again, could be either incremental or proportional. Some of the advantages here would be to allow grantees to make ICR a local option, depending upon availability of alternative sources of funding, and it would tend to encourage industrial participation in planning early on.

The disadvantage, once again, if the grantee elects to have the federal component grant funded, it is not going to reduce any of the complaints you hear today about ICR, because ICR would be just as it is now.

Alternative No. 7 is to attempt to establish some sort of uniform ICR rate, and the things we have listed there are different alternatives for a uniform rate. For instance, you could develop a national rate. The people in Boston would pay the same thing as the people in Seattle. You could attempt to develop a regional rate. Maybe the people in the Northeast would pay one rate, and people in the Southwest would pay another. You could take it down almost as far as you wanted to go, state or city level.

These rates could be modified, based upon uniform adjustments depending upon the treatment level, treatment type or level of discharge that the grantee is allowed to make.

What we are talking about here, for instance, we have already heard and seen that ICR tends to be more an industry that discharges to a tertiary plant than it is to an industry that discharges to a secondary plant.

So you could make it a uniform adjustment across the country so that everyone, no matter what kind of plant you discharge to, whether it is activated sludge, trickling filter or what, everybody would pay basically the same kind of rate.

The major advantage would be to reduce the inconsistencies of ICR that you see from plant to plant and from region to region.

The major difficulty here, once again, is it is going to be difficult to develop and administer such a rate.

Alternative No. 8 is to attempt to establish what we call a circuit breaker ICR exemption. Once a condition reached a certain threshold, ICR would be collected and if you drop below that threshold, then ICR would not be collected.

Now, EPA's current 25,000 gallons per day exemption is a circuit breaker exemption. Once industry's discharge exceeds the equivalent of 25,000 gallons per day of sanitary waste, industry is required to pay ICR. If industry's discharge drops below 25,000 gallons per day, they are not required to pay ICR. So that is an example of a circuit breaker.

Some other possibilities for setting up circuit breakers would be based on local economic conditions, for instance, if unemployment goes above a certain level, ICR is no longer collected. If unemployment goes below a certain level, then ICR once again is collected.

You could base it upon industry groups, geographic areas. EPA currently has a level of pollutant discharge exemption, and for instance, a dollar level of ICR payments if the amount to be collected drops below a certain dollar level, you don't collect it, if it goes above it, you do. The advantages here would be to reduce the number of industries required to pay ICR, and that would reduce the grantee's administrative costs associated with the program. It would also allow flexibility based on special circumstances.

The major disadvantages are to make it very, very difficult to administer and monitor one of these kinds of circuit breaker exemptions, and it will result in an inconsistent charge from area to area, because you are going to pay your circuit breaker on special circumstances.

Alternative No. 9 and Alternative No. 10 are very similar. No. 9 is to allow a tax credit for ICR payments. The tax credit would be in addition to normal business write-off that industry gets for ICR as a business expense. It would tend to eliminate industry's complaints that there is double taxation involved.

The major disadvantage is it is going to be difficult to administer, it is going to reduce revenues, and also requires administrative change.

Alternative No. 10 would be to allow a tax credit for pretreatment cost, to include both capital investment and operation and maintenance cost that an industry must pay to pretreat.

The major advantage here is it is going to encourage industry to pretreat waste, and the disadvantages are, it would be hard to administer, it is going to reduce revenues and require legislative change.

Alternative No. 11 would be to return to the requirements of Public Law 84-660, abolishing ICR as it is today. One of the things that we have heard from industry and from grantees is that charges are lower in plants that were funded under Public Law 84-660, and that it is inequitable, depending upon which type of funding was provided to expand your treatment works.

The advantage here would be you would return to the requirements of 84-660 which required that industry repay theie proportional share of the grantee's local capital costs. This would eliminate the complaints of inequitability in charges depending on the type of funding involved, and it should tend to reduce the administrative burden on grantees, because 84-660 was less complex and easier to comply with.

The disavantages are to reduce revenues and lacking other kinds of controls it may encourage excess capacity to be developed.

Alternative 12 is to abolish ICR as it is today, get rid of it, and require the local share of project cost be covered through proportionate User Charge.

Currently EPA only looks at operation and maintenance and replacement cost in their User Charge systems. What this alternative would do would be to include local debt service in the User Charge.

The advantage would be to achieve equity in the medthod of establishing rates if it is thoroughly and consistently monitored.

There are several disadvantages here, however. It would reduce the grantee's flexibility in designing rates. It is going to increase the grantee's administrative cost, because the User Charges now would be more complex. It is going to increase cost to large users where the grantee currently uses a sliding scale or discount block rate to fund debt service. And it may require major changes in bond covenants if the grantees use revenue or general obligation bonds to fund the local share of the treatment works.

Alternative 13 is to add an interest component to the current ICR requirements.

The major advantage here is that it would eliminate the perceived subsidy of industry by allowing an interest-free loan component in ICR, and it would also tend to increase industrial participation in facility planning, because you are going to increase the ICR cost to be paid by industry.

The major disadvantage we can see is that it would tend to encourage industry to seek other alternatives to discharging to a POTW because you are increasing the cost to industry.

Alternative 14 is to extend the ICR moratorium. We feel the advantages and disadvantages of this are the same. It just postpones the date for making hard and final decisions on ICR.

Alternative 15 would be to maintain ICR in its current form, doing nothing with it.

The advantage here is that it would require no administrative or regulatory changes, and the disadvantage would be that it would eliminate none of the problems that we currently see associated with ICR.

And Alternative 16 is to require a letter of commitment in the form of a contract from industrial users of POTWs when a POTW is sized. There is a typographical error there--it is "sized," rather than "signed." This would tend to encourage more precise planning early on, and the disadvantag would be that it is going to commit industry for a longer term than most businesses are willing to sign up for. It would be difficult to administer and difficult to get industry's participation.

MR. DONAHUE: Thanks, Alan.

These alternatives, as I said, are just a preliminary list of possible alternatives. During the discussion period after the statements, if anyone can come up with additional alternatives or variations on these alternatives, we would like to hear them, because we really have no preconceived notion of what the outcome, of what our final recommendation will be.

I would like to turn the meeting over to John Pai for a few seconds.

MR. PAI: Good morning. My name is John Pai, I am from EPA, Washington, D.C. I am the Project Officer for this study.

A few things I would like to go over with you. Number one, this public meeting is what we call or we attempt to try a group decision making process. We come here with an open mind and a few suggestions to you, and hopefully that you would help us or we could make a decision together to make a recommendation to the Congress.

As was pointed out, Chris pointed out, there are ten such public meetings held in this country. What you said today or what you recommend from any individual in this region will be considered together with the remaining nine public meetings input that we have. EPA of course will make the final recommendation to Congress, and then the Congress will make the necessary legislative change.

What I am saying here is that the final recommendatio you see may or may not respond to all your concerns. However, the recommendations are based on the general concern of all the concerned parties over the country.

As you go through these alternatives, I would like to point out all these alternatives try to address one of the following four major concerns we have on ICR.

Number one, all these alternatives are trying to attain some administrative simplicities for the grantees and for the industrial users,

Number two, trying to encourage industrial users to participate early in the planning stage for better planning of the facility.

Number three is trying to give the grantee more discretion to fitting his local conditions.

And number four, and it certainly is not the least, we try to address the cost problem to the existing users. Let me explain a little bit on the last item. Basically you heard many times about extra capacity or excess capacity, extra capacity, future growth, so on and so forth. Now, it is not the purpose of the meeting here to discuss what is a reasonable excess capacity or what is reasonable growth. What we try to address here is, assuming that you would have a reasonable growth, still the question remaining is, can the existing user pay that extra cost for future growth?

I am not as familiar as I would like to be, with the situation in this region, but in many other regions or areas, where the existing user feels the financial pinch of the total cost to him, even though they have a well-planned future growth projection. So ICR hopefully or it was intended to put some more cost considerations in there for people to design their facilities, but in all these alternatives we all try to address the excess capacity not in a way of whether it is cost effective in the long run, but whether the cost can be bearable for existing users.

If any of you have a problem of a high cost for existing users, be it to industrial users or be it to domestic users, we would like to hear about them.

The point is that the cost effective solution for the long run may not be the best solution in the short run.

With that in mind, I would also like, as Chris mentioned, because some of you received the material a little late, to provide us with a written response, we have extended the written response period to October 31, 1978. Any written response can be forwarded to me, and my address is John Pai, (WH 547) and the next line is U.S. EPA, address is 401 M Street, Southwest, Washington, D.C., 20460.

My phone number is 202-4268945.

In case you have any further questions or answers after you have had a chance to review this material in more detail, please feel free to call me on the phone and discuss with me before you send your comments. It is very important that you show your preference or your suggestions to us because this is a time that you can really impact the outcome of the study.

You can give them your address, too, Ed.

MR. DONAHUE: We would like to get copies of comments and suggestions, too. You can send them to either Alan Brown or to me, Ed Donahue. Our address is Coopers & Lybrand, 1800 M Street, NOrthwest, Washington, D.C. Our zip code is 20036. Please feel free to call us, too.

If there is something we said that isn't really clear or something you would like us to expand upon or just some questions or ideas you would like to bounce off us, our phone number is 202-223-1700.

I think John mentioned, if he didn't, whatever written comments you have, even a handwritten half a sheet of paper kind of thing is fine. We are not looking for people to draft laws, sit down and hire a lawyer or consulting engineer to write a long and detailed and very technically correct and precise kind of thing. We are just looking for ideas and suggestions. So just off the top of your head kind of ideas that you thought out are fine.

I think we will turn the meeting back to Chris, and she will preside over any kind of prepared statements people have.

MR. PAI: We have a list of people who, I guess, telephoned in to reserve time for making a prepared statement. I will just go down in the order that we have here.

Mayor Whittom, I suppose you want to begin.

MR. WHITTOM: This is something new to me. I am Mayor of Rupert, Idaho. My name is Bill Whittom.

The industrial portion of our sewage treatment facility at our lagoon project which is about 97 percent complete now is very important to us in the small agricultural community where we live. Idaho, for example, produces 26 percent of the nation's potatoes. The majority of those potatoes are produced and processed in areas such as Rupert, Idaho. And for the city and the industrial users to grow together is very important. It is asinine in my estimation to have industry building a treatment facility and a mile away have the city build a treatment facility.

So this has been helpful to us, but I can see industry's side, too. I asked one of our major industrial users to come and state some comments concerning his position on it, too. I would like to call on him in a minute, but we will have written testimony, and I talked to John earlier.

He gave me his address, and we will be sending that testimony to him.

The one thing that we are concerned about, as far as a city operating this facility, is that some of our income is derived from the payments that our users are making, and that it could be a financial burden on us in some of the smaller communities where we have large industrial users participating in this, if we lose that payment.

I would hope you would consider that and figure out some way to reimburse the local units of government for the funds that we might lose in the future on projects such as this.

Several alternatives that I have reviewed there, I think a lot of them have merit. I can appreciate the work and time and effort put into them, just in reviewing them briefly. I am sorry I am not better versed on this, because the first I heard about it was the letter I got. I called over here and made arrangements to be here, because I think it is important not only to our city but to many other municipalities and industrial users of facilities such as this.

We have the first treatment facility of its kind in Idaho. We have just taken the effluent of a large Kraft cheese processing plant, one of the larger dehydrated potato firms in Idaho, and all the city schools, schools outside of the city and so forth, it is being pumped out of the river now, and into a lagoon system for land application later on. I don't know how long that might be. It will be several years I am sure. We have a pretreatment plant near our city where the effluent is treated prior to going into the lagoons, and most of the systems just have a lagoon system. We are pretty proud of it. If any of you ever get over that way, you are welcome to stop in. We will show you how to build one and get the users behind us, too.

We have had real cooperative working relationships with our industrial users.

I would like, John, if you would permit, because for the time factor involved, and our plane was late and everything else, we are very unprepared. We will have a written statement.

I would like to ask Bill Schow, who is the Comptrolle for Magic VAlley Foods, a large potato processing plant, ships potatoes all over the world, by the way, and the latest is going to Japan--I don't know how many loads they ship over there--but they are dehydrated potatoes made into something like Pringles potato chips. Proctor and Gamble have dealt through this firm. You have probably sampled their products somewhere along the line.

MR. PAI: Thank you, Mayor.

Bill.

STATEMENT OF BILL SCHOW, MAGIC VALLEY FOODS, INC.

MR. SCHOW: Bill is quite right about being prepared. I got a call from our President yesterday and he said to be on the plane this morning. We are currently, as Bill stated, about 97 percent finished with the project, and it has been funded under the Federal Water Pollution Control Act, 92-500.

One of the problems that we are facing at this point in time concerns double taxation. I think industry in general is probably not in favor of their being doubly taxed, but where the problem arises is in additional funding for nonfederally granted monies to start with. It is kind of like renting a house and paying for it at the same time. We have $100,000 initial construction cost down payment which at this point in time we are financially unable to make it out of working capital. So we have tried to get financing for it,but since the system isn't ours, it is not viable collateral, as collateral as such.

Anyway, a specific item. If industry isn't going to use it, who are they going to foreclose on to get payment? Federal monies, I think, need to be funded for these costs if industry is going to go along with municipalities.

If the system was ours, under 92-500 we would be funded, but since it is not our system, it is the City of Rupert's, they are the sole owner, so we are ineligible for this extra funding.

I am in agreement with Alternative No. 9 which we just went over, about tax credits along the same lines. This system is not ours, and it cannot be capitalized, and there are no investment tax credits available. It is being rented to us.

I would like to see Alternative 9 be implemented. I think as far as industrial users are concerned, the breaker, as it was called, 25,000 gallons a day, I think there was a fallacy in some instances that industry has the ability to repay. Sometimes industry does not have the ability to repay. Twenty-five thousand gallons a day does not give an exact parameter of the type of discharging into the system. For example, a car wash could use 5,000 gallons of water a day easily, dischargining lots of grease and oil, which is definitely harder to treat than our potato waste which is very much biogradable, and we settle a lot of stuff out of it. So I do not feel that that parameter is exact. Also going back to industry's ability to repay, the 25,000 gallons is not really very much water. I think the average home owners in our area are using 8,000 gallons a month, and it is not--

MR. PAI: What do you feel , trying to see that number increased or refined?

MR. SCHOW: I am sliding off here, losing my train of thought. I think you are right. The definition,you know the actual building and use of the system is being repaid that way. It is not per se the number of gallons being discharged; it is the type of effluent being discharged. There should be some balance there with that type.

And we are not saying that industry should not pay its fair share, but I think industry in general feels they are double taxed, because not only are they paying it through first time, why should the industry that uses 25,000 gallons or more have to pay for the guy who uses 20,000 gallons that is still making a buck off the system, too.

MR. DONAHUE: You had to come up or have to come up with $100,000 as your contribution for construction cost. Is that towards the local cost of construction or is that Industrial Cost Recovery or is it both? Or are you sure?

MR. SCHOW: I am not sure. I think it's the initial stages of the project incurred, our share was $100,000 down payment, in three payments in three stages of construction. The final payment was supposedly to be paid upon approval of the system. But what has happened is we were trying to get under this Act, 92-500, one of the eligible requirements which is your number 2; if your business discharges into a publicly owned works and the city and county required treatments of our waste discharge and so on -- when we initially went into the project we felt we would have long-term low-interest money available to us.

But through a quirk or however it is written up, we were ineligible, because the system is not ours. We were not cited. The city was cited.

We are going to pay probably 50 percent of the cost of the lagoon over a period of it. The SBA was willing to loan us money through conventional resources with raising a bank 9 percent guaranteed loan. That is where collateral comes. It is not ours. How do you use collateral that is not yours? We are stuck between the rock and the hard place.

MR. DONAHUE: I can't imagine too many people would want to have a sewer system as collateral, anyway.

MR. WHITTOM: Excuse me for interrupting. I think this is important. We are a classic example again of one of the problems that has been created here. They are put on the spot because they don't have the bucks to initially invest in it, especially a small business. They are not H.J. Heinze or the Hunt Corporation or something else. It is a small family-owned corporation or operation and it puts us in a bind because we have to to to the home owner then and say they can't pay their $100,000. We are going to borrow from you to pay their bill to the contractors that have already done the work. The home owner says, Hold it, why are we paying their bill? If I don't pay my water bill or my light bill--in this case we own our electricity system, too, in our city--you turn my lights or water off. Why don't you turn them off? I am in the middle of the damn thing. It is really a puzzling situation to be in, because they employ 100 people in our community, a payroll of--it is sizeable--one of those things you can't win at. They are either mad at me or the people are mad at me.

MR. DONAHUE: You are put into the middle of abiding by the environmental kind of things and at the same time worried by the economic impact.

MR. WHITTOM: The only good thing is I have three years before I have to run again.

(Laughter)

MR. DONAHUE: If you all, when you have the time, before the end of the month, if you could reduce something to writing about what it is doing to you, we are not looking for proprietary or confidential information, anything you could give to us as part of the public record if somebody wants to see it if they can, but if you could put something in writing, just a couple-page letters saying what this is doing to you, and what kind of alternative you would suggest, it would be helpful. For the more things like that we can show to Congress, the more likely they are to do something.

MR. SCHOW: That is our basic purpose.

MR. DONAHUE: When you have some time to reduce it to writing, we would appreciate it.

MR. SCHOW: We feel we do use the system, but why is someone who has his limits set up for repayment, why is the industry always stuck with the bill? Bill talked about the economic impact; industry does carry the majority of the load for everything. Every time something comes along, they hit industry up for a little more.

I think it is well known that industry profits are lower than private--if industry makes 3 percent on the buck after taxes, they are doing quite well. If a small business had to do that, they would be out of business.

Thank you for your time.

MR. WHITTOM: He is not only representing Magic valley Foods, but another affiliate they have is Magic West, located in Glens Ferry, and they have treatment problems there or have had in the past. I don't know whether they are solved or not.

MR. SCHOW: EPA didn't close us down totally.

MR. WHITTOM: The things he and I point out, not only affect Rupert and Magic Valley Foods, but I think we are representative of many small industries and small communities and without them we wouldn't have as big a system as we have. Without us they wouldn't have a system to go to, it is doubtful that they could come up with the bucks to treat it the way EPA is indicating they have to.

I thank all of you for your time. I am sorry we are so disorganized. We are from Idaho, you have to excuse us. We walk around here and look at these buildings and they are bigger than our haystacks.

MR. DONAHUE: Thank you.

MR. PAI: The next gentleman is Mr. Mike Price.

STATEMENT OF MIKE PRICE, SEWER UTILITY
DIVISION, DEPARTMENT OF PUBLIC WORKS,
TACOMA, WASHINGTON.

MR. PRICE: I am Mike Price, Chief of the Sewer Utility Division, Department of Public Works, Tacoma, Washington. I have a letter here addressed to the Regional Administrator of Region X, and signed by R.D. Sparling, Utility Services Superintendent of the City of Tacoma;

"Dear Mr. Dubois:

"This statement represents the position of the City of Tacoma regarding the Federal Industrial Cost Recovery Program mandated by the Federal Water Pollution Control Act. It is our understanding that this public meeting is being held to obtain public comments which will be the basis for a decision on implementation or non-implementation of the Industrial Cost Recovery portion of the Federal Water Pollution Control Act.

"As a member agency in the Association of Metropolitan Sewerage Agencies, we participated in the drafting of a resolution regarding Industrial Cost Recovery at the annual AMSA conference in Anaheim, California earlier this month. Tacoma fully supports that resolution by the Association of Metropolitan Sewerage Agencies. The resolution reads as follows:

'The Association of Metropolitan Sewerage Agencies supports the elimination of ICR provisions from the Federal Water Pollution Control Act (Pl 92-500) and the Clean Water Act of 1977 (PL 95-217). Until the ICR requirements of the law are eliminated, AMSA urges EPA to develop regulations for the program that are consistent with the spirit and intent of

Congress' recent amendments to (PL 92-500),

"We have enclosed for your use the complete AMSA position paper from which this resolution was developed.

"Tacoma has currently suspended all further work on an Industrial Cost Recovery study and program development and will hold further such work in abeyance until this issue is resolved by EPA during the Congressionally mandated moratorium period provided in PL 95-217. This action is in conformance with Condition 4, Moratorium Reviews and Approvals, which is contained in your February 3, 1978, Region X Interim Policy on User Charges and Industrial Cost Recovery. This particular paragraph provides that grantees will not be required to develop nor submit ICR systems during the moratorium.

" We thank you for the opportunity to submit this statement into the record, and we trust that the testimony presented today will be utilized in developing a reasonable and rational approach to the question of Industrial Cost Recovery."

I might add, if I understand your schedule for today, there will be later a question and answer and general comment period, because after reading your alternatives, I have some other comments I would like to make.

MR. PAI: Thank you.

The next gentleman is Mr. Bonn.

STATEMENT OF JOHN J. BONN,
TECHNICAL SERVICES P.E.
MANAGER, NALLEY'S FINE FOODS,
DIVISION OF CURTICE-BURNS, INC.,
TACOMA, WASHINGTON

MR. BONN: Since I am not going to read the whole report, you may want to follow me. My name is John Bonn, I am Technical Services Manager of Nalley's Fine Foods in Tacoma, Washington.

What I handed out there was an impact statement that this has on Nalley's Fine Foods. In the form of an introduction, basically we discharge approximately 800,000 gallons of water to 1,000,000 a day. The cost of this service is $163,000. That is in addition to $64,000 for the water itself.

The City of Tacoma has an ordinance that is being drafted and will be presented in January that will increase this cost to $726,000 annually. This is all in the name of the Clean Water Act.

Our recommendations are fairly simple. We believe industries should not be assessed for repayment of EPA grants. In addition, we encourage EPA not to burden treatment plants with nonproductive administrative cost and regulations that detract from the intent of the Clean Water Act.

Let me give you a little background. The gist of it here, I guess, is we would like to continue negotiating working with treatment plants. Nalley's is sort of locked in and we have no choice. We think that the conditions in the local level could best be handled by people at the local level that understand each procurement situation. Now, Nalley's was started down in Nalley Valley in 1940. If you have ever been down there recently you have seen how we have grown.

On Figure 1 there--the original has a glossy--it is pretty hard to Xerox--is an aerial photograph of Nalley's and Nalley Valley showing we are locked in an area and have no room to expand. So if we are to install our own treatment plant, we would have to disassemble or do away with some of our existing facilities.

The next layout, shows the trunk lines and our discharge points at Nalley Valley, and we have seven of them. So it is almost cost prohibitive to funnel this water or pump this water to a central location.

What we have been doing with the treatment plant, though, is providing that type of treatment that would help the municipal facility.

For example, of concern was the high acidity of our pickle brine. We installed neutralization plants, neutralizing plants, to bring pH's to an acceptable level.

In addition, it was mentioned earlier, the high cost of removing grease, we have installed grease recovery in grease traps in order to alleviate this problem at the treatment plant. We have solid screens removal for larger particles to assist them down there. We have installed sampling stations to make their job easier. We have an in-house metering system, and we have starch recovery systems.

In addition, due to recent expansion, we are going to improve our grease recovery system.

This costs about $305,000, and a good portion of that was to assist the treatment plant in making it more acceptable of our waste.

The last section there is an indication of the commercial impact on the treatment facilities. The intent here is to show you that we have a situation in Tacoma that is different than other cities, and the industrial portion of it is really, in our estimation, a small portion.

Thank you.

Are there any questions on it?

MR. DONAHUE: Mr. Bonn, you mentioned that your sewer bill is going to go from $163,000 to $434,000 in your written statement.

MR. BONN: All right. That $434,000 in the report is from a consultant report to the city, but they did not take into consideration our recent strength. So the $712,000 there is our calculation of our recent strength and that has been unofficially confirmed.

MR. DONAHUE: Why is the increase so great? All that increase isn't due to Industrial Cost Recovery.

MR. BONN: None is due to Industrial Cost Recovery.

MR. DONAHUE: You are saying you are going to have these costs whether or not there is Industrial Cost Recovery?

MR. BONN: This hasn't been approved by the Council.

MR. DONAHUE: What has happened to the rate structure the way they're charging, to make it go up that way? Have you had a declining block rate or something?

MR. BONN: No, we were charged a surcharge based on the highest strength. Now they are charging it on all suspended solids grease.

MR. DONAHUE: Do you have any idea how much Industrial Cost Recovery would cost you on top of this?

MR. BONN: No, I don't. We had an estimate in 19--I don't know the portion of industrial cost, but the total estimated in 1975, we predicted would be about $350,000.

MR. DONAHUE: Per year?

MR. BONN: Per year. Not industrial, that was total, including the user cost. What portion of that, I don't recall.

MR. DONAHUE: In the plant modifications that you have made, have you been able to reduce significantly your water consumption, BOD, or--

MR. BONN: My gut feeling says yes, but we haven't been able to monitor or come up with a quantitative measure.

MR. DONAHUE: That is a pretty significant increase in sewage cost.

I don't have any other questions.

Thank you very much. Appreciate it.

MS. NOAH-NICHOLS: The next person to speak will be Robert Maguire, from Agripac.

STATEMENT OF ROBERT MAGUIRE,

TECHNICAL DIRECTOR FOR AGRIPAC, INC.,

SALEM, OREGON.

MR. MAGUIRE: My name is Robert Maguire, Technical Director for Agripac, Inc., Salem, Oregon. Agripac is a food processor operating three (3) vegetable canning and freezing plants in the Willamette Valley in Oregon. All three of these plants are currently discharging to POTW's.

Of particular concern to us is the situation that now exists in Eugene, Oregon. Over the years our Eugene plant has discharged to the Eugene City treatment plant which has been operating under a NPDES permit allowing 60/34 BOD/SS during the low water period. Under a new DEQ permit, the cities of Eugene and Springfield have formed a Metropolitan waste water district which will be required to maintain a 10/10 discharge during the low water period. In addition, Agripac as the only major seasonal industrial discharger will not be permitted during the low water period to discharge either through the POTW or direct to the Willamette River.

As a result of these restrictions, Agripac will have to make a decision whether (1) close this plant, (2) move to another location, which will involve both cost of moving plus additional construction cost, (3) construct the lowest cost waste disposal system at the present location. If the latter course is followed, it will involve a nine (9) mile pipeline with the necessary acreage for spray irrigation or land flow. The original CH_2M Hill estimate for spray irrigation based on January 1975 construction and adjusted for inflation is $6.3 MM for mid 1980 construction costs. A second estimate made by Brown and Caldwell came in at $7.8 for spray irrigation. They also estimated an alternative system of lagoon storage with land flow at $6.3 MM.

Using the above $6.3 MM Figure as the lowest cost alternative and with a 1977 flow rate the replacement costs is $92.55 per M gallon of effluent. The annualized cost is obtained using 30 years ICR funds for 75 percent of the cost and the remaining 25 percent payable to the Metro district at 5-1/4 percent for 20 years. This cost is $340,075 per year as compared with $75,000 for 1977 treatment costs. The cost per M gallon of effluent is $1.09 under the old system and using the 1977 flow rate the estimated cost under the new system is $5.00. For comparison, our Salem plant with roughly the same product line and volume had a 1977 cost per thousand gallon effluent of $1.25. Our best estimate is that other vegetable canners discharging to the Salem POTW will have the same cost per thousand gallon.

This case history is submitted to illustrate how extraordinary circumstances and level of pollutant discharge will result in excessive ICR payments. It illustrates the high cost of obtaining extremely low level BOD/SS effluent as prescribed by the Oregon DEQ. It also points out the inequity arising when one seasonal industrial user is required to spend $6.3 MM for a waste water treatment system that will only be used for 140 days per year.

In conclusion, our first chioce with respect to ICR payments would be to eliminate them as "double taxation" and unfair economic burden, In the event ICR payments are not suspended, the "circuit breaker " exemption should be established to give relief to those dischargers coming under the "extraordinary circumstances" category as illustrated in this case history.

Thank you.

MR. DONAHUE: It sounds like your problem isn't just ICR. It is a problem of total cost of sewage, and ICR just makes it that much worse. You are being faced with the problem of not being able to discharge into the POTW or direct discharge ICR, that is just so much more of a problem. Your basic problem is where you are going to discharge.

MR. MAGUIRE: Correct, coupled with severe Oregon DEQ requirements.

MR. DONAHUE: Water quality standards where POTW will discharge or you will discharge?

MR. MAGUIRE: No, I am not saying ICR payments are totally the charge of these high future--

MR. DONAHUE: But they contribute?

MR. MAGUIRE: Very definitely. Out of a $340,000 estimated 1988 cost per year effluent, only $51,000was O&M cost, so , correct, on this $340,000 that was Brown and Caldewll, I assume that their estimate is somewhere in the ball park, so $290,000 out of $340,000 ICR--

MR. DONAHUE: Either capital repayment or ICR kind of cost. That is really significant.

Thank you.

MS. NOAH-NICHOLS. Thank you very much.

The next person to speak will be Howard Donelson from the Boeing Company.

Mr. Donelson.

He is not here.

Okay, then. George Houck, from the Department of Ecology, State of Washington.

STATEMENT OF GEORGE HOUCK, WATER QUALITY
MANAGEMENT SECTION, STATE DEPARTMENT OF
ECOLOGY

MR. HOUCK: I am with the Washington State Department of Ecology in the Water Quality Management Section.

The following comments represent the position of the Washington State Department of Ecology. We are the pollution control agency which administers much of the municipal construction grant program in Washington. We hope our comments will be considered in the light of our intimate involvement in this program. The 1977 Clean Water Act set up the machinery by which qualified states could be delegated the entire administration of the program. We are presently engaged in discussions with Region X officials about that delegation. Although Industrial Cost Recovery is presently administered, by Region X, very soon it may be by the Department of Ecology.

As so often happens, due to the manner in which public meetings are advertised and are held during regular business days, most of the statemetns to be made today will express views of industries and cities which are directly affected. The American taxpayer is probably not well represented today and, frankly, it is the appropriate use of his money that we are talking about today.

Our position is that the Industrial Cost Recovery program should remain in place much as it is today, since it is the vehicle by which the costs of private industry for necessary water pollution abatement are paid for by the corporate discharger and not by the American taxpayer. Under Industrial Cost Recovery the industrial user pays back the capital costs for his share of municipal treatment plant construction. It is true that industry may pay this cost back over a 30-year period with no interest collected. It is then, in reality, a 30-year interest-free loan to the industrial user, which is quite a plum in itself.

Certainly some streamlining of the present ICR program is warranted. In particular, the regulations should attempt to free the cities of any nonproductive, cumbersome requirements. The 1977 Clean Water Act, in changing the definition of industrial user from the former 2,500 gallons per day to 25,000 gallons per day, was a step in the right direction.

To do away with Industrial Cost Recovery without payback by industry of its fair share of the capital costs would result in some serious inequities. Two examples that come to mind are:

1. The incentive for an industry, faced with the capital costs of upgrading its treatment facilities, to connect to a municipal plant could be overwhelming and not really cost effective when total cost to the consuming public is considered. In effect, the industry would be served by a new facility whose cost was borne by the American taxpayer in contrast to constructing its own plant.

2. Competing industries which must provide their own treatment plant are at a disadvantage as compared to an industry connected to a municipal plant where the capital costs of treatmet of the capacity are provided free of charge.

Our department provides a 15 percent EPA grant, for a total 90 percent grant. Under the provisions of a recently adopted state regulation, Chapter 173-255 Washington Administrative Code, we discontinued providing the 15 percent grant for the industrial portion. We did not want to upset projects which were well on their way, so cities which had already received a state grant award to do the design phase, prior to September 23 of this year, were "grandfathered in" by the regulation. Our definition of industrial user in the regulation was made compatible with the EPA definition. Thus, discontinuing or making substantial changes to the ICR program will impose a hardship/on administration of the municipal construction grant program in Washington State, to a degree,

The reason for our recent regulation was that in a few years the state bond money will run out,and we wish to provide the supplementary state grant to as many worthwhile municipal projects as possible. We did not initiate and industrial cost recovery program of our own because we believed the administrative costs of the smaller state program, 15 percent as compared to the 75 percent federal grant, would be too cumbersome.

Now that we have seen the preliminary findings of the consultant's study of Industrial Cost Recovery this morning, we do have some additional comments to provide in writing,in a day or so. We hope they will receive the same consideration as these presented this morning.

Thank you.

MR. DONAHUE: Mr. Houck, if it were shown that the cost of self-treatment were lower than the cost of using Publicly Owned Treatment Works--I am making an assumption you want to encourage industry to use the public sewer system rather than create their own sewage, because of economies of scale-- If it were shown it was cheaper to treat your own sewage than to use the public sewer system, would the state feel the same way about Industrial Cost Recovery? In other words, if, assuming what appears to be an economic advantage from using a 75 or 90 percent funded facility versus building your own, if that were shown--if tax law changes made that economic advantage disappear, would the state still feel that ICR was a good thing to have? There are other reasons for having ICR as well.

MR. HOUCK: I am not really prepared to answer that this morning. That is something I am not familiar with. You brought out these changes in the tax laws that some are proposed and some are in place.

MR. DONAHUE: When we discussed that with some people on the House Public Works Committee staff and they were sort of flabbergasted when we told them what we had done, and the reason they were assuming, and it just makes common sense, using a facility that is three-quarters paid by somebody else it is going to be cheaper than what you pay for **by yourself** --, it looks that way on the surface. We went through the tax law kind of things and discussed this with people on the House Public Work staff.

They were amazed. They were in the Public Works Committee writing environmental law, and the Finance Committee is writing tax law. And their objectives don't always mesh. The Public Works people weren't aware of what the Finance Committee was doing or how extensive were the tax law changes which had been made. They were pretty surprised when we went to them with this computer model and showed them what was happening. Our final report will include all kinds of cost curving on different size industries.

MR. HOUCK: You don't have tax laws here today.

MR. DONAHUE: Our report will have a detailed discussion of tax laws. We took a couple of our tax partners and locked them up with some of our economists, and our people from Camp Dresser McKee who did cost curves for us. It surprised me, too.

Thank you.

MS. NOAH-NICHOLS: Now we will be taking statements from anybody else who is here this morning to make a statement.

Those who haven't called in in advance,

STATEMENT OF GARY YOUNG, CITY ENGINEER, TWIN FALLS, IDAHO

MR. YOUNG: It seems small Idaho municipalities are rather well represented here. I am Gary Young, City Engineer, City of Twin Falls, Idaho. We are an agriculture/light industry based city of about 25,000 not too far from Rupert. We have the same general types of problems with food processors. It was interesting to me, the categories of industries that were studied in detail. Twin Falls has five of the six categories with the exception of the metal industry, we had every other category of light industry in our ICR program.

We do have a going ICR program. It has been in operation since 1976. We have had quite a few dealings with EPA and the Idaho State Health and Welfare over not specifically ICR, but wastewater treatment in general.

I would like to point up a couple items specifically where the City of Twin Falls has made good use of the ICR program. Rather than worrying about its bad points, we feel it does have some very good points.

Number one, I think most of the Region X people are familiar with the Rock Creek Pump Station. Everyone I talked to, when I say I am from Twin Falls, they say, oh, yes, Rock Creek Pump Station. We have some sort of pending lawsuit that is out of my hands at this point, concerning illegal discharges from that area. We did use ICR funds to abate that discharge, Without that source of funding, we would still be maintaining the alleged illegal discharge.

This specific case shows that the 50 percent retained funds from the ICR payback is an extremely valuable tool for cities. We didn't have the money to fix that thing. It was an emergency situation, not emergency enough to get state or federal funding on a quick response basis, and I think in practically all emergency cases state and federal "emergency money" is not available on a timely basis.

These ICR funds that are in the city's hands but under direct control of the EPA are a quick source of funds for emergency capital improvements. To me that is one of the major benefits of this program. I think I can speak for the taxpayers in the Twin Falls area that they are not keen, they would not be keen on funding 85 to 90 percent of the total cost of the treatment plant expansion that we recently underwent out of the general taxpayer fund.

One of your alternatives I believe alluded to the public picking up the industrial cost. In our cases, and I think possibly in Rupert's, the industrial portion of the plant, this incremental cost funding that you are talking about gets the cart before the horse, in the case where industries are discharging 85 percent to 90 percent of the total discharge, and we are operating under those conditions.

There are several averages involved, and I would have to say in some of those average costs cases we must have been on the other side as far as average conditions on your study.

But that was one point.

Contingency money, I don't think you will see a local government entity, i.e., city council or whatever type of form you have, that is willing to put money in the pot, that when the pump station breaks, that the money is there to fix it. They are not oriented in that way. Emergency capital expenditures are a real nightmare to local agencies. This is one area where we are well served by this program. I can vouch for the fact that our program, ICR program has given the industries a new awareness of water use and discharge.

Now that is certainly a dollar-related situation, but I have had our industry people come and tell me we really cut down on our water use, and we are making attempts to decrease their discharge. Certainly the dollar is a terrific incentive to cut down on your discharge. I feel that we do have an equitable program as far as relating the actual O&M and regular capital expenditure costs back to the industries.

I think the gentleman that brought up the point about the 10 percent participation cost, which is a significant amount of money, I really think could be--the federal government might consider including those 10-percent front end costs to the industry in the payback program.

We are going to have increased discharge limits, and that is the only reason for these programs, the discharge limits. The city has to meet them. The industries have to meet them. It is going to cost money. There is no way around that. We have a 20-year program, but a 20- to 30-year interest-free loan to help industry meet their requirement is not a bad deal; certainly the taxpayers don't get that kind of break on the ordinances that cost them money. That may be a rather far out solution, but when the city says, you have to make this capital improvement to comply with our new zoning ordinance, we don't give them a 20-year interest-free loan to make those improvements. It is money out of pocket right now.

That is really the main body of comments. I feel in the Twin Falls case, we have a good program; we have cooperative industries, and I think ICR has worked to the benefit of the whole community, particularly in reference to discharge because at least two major industries were discharging their industrial waste directly into Rock Creek. Those wastes are now picked up by an interceptor sewer and go into the famous Rock Creek Pumping Station and are treated.

So I think with some minor revisions this is basically a good program. I feel I can represent Twin Falls, I can speak for Twin Falls on that subject.

Thank you.

MR. BROWN: Mr. Young, how much do you collect in ICR every year total?

MR. YOUNG: About $100,000. That is a rough number.

MR. BROWN: Of which 10 percent is kept by the city?

MR. YOUNG: Yes.

MS. NOAH-NICHOLS: Fifty percent.

MR. YOUNG: Forty percent money is money I am referring to on this Rock Creek situation. Certainly 10 percent would not have done the job.

Another point is that the monitoring, both in flow and strength is a good tool for the operation of the plant, and if you knocked out ICR today, we would still make an attempt to maintain the kind of monitoring and flow measurement system that we do have because they are invaluable in plant operation.

MS. NOAH-NICHOLS: Thank you, Mr. Young.

Is there anybody else?

STATEMENT OF TONY HARBER, CONSULTING
ENGINEER, BROWN & CALDWELL

MR. HARBER: I am Tony Harber, Brown & Cadlwell. I am a consulting engineer, and I have been involved with one or two plants that have a concern of large increases in rates they have been faced with as a result of Publicly Owned Wastewater Treatment Plants, some under P.L. 92-500 and some under previous funding.

Again I am not prepared to make a full statement at this point, but there is one thing I would like to bring to your attention that hasn't come out too much this morning. The main area where they seem to be paying costs unfairly relate to the capacity of the plants that are constructed. You mentioned in your earlier statements that 60 plants are presently running at 68 percent of their capacity. That of course is an average figure, and one of the plants that I have been involved with has actually been running at less than 50 percent of its capacity.

The capital cost recovery should actually reflect the fact that industry is only using a percentage of the total amount, but the operation and maintenance cost in Particular of a 10 MGD facility, for example, doesn't reflect the fact that the plant is only receiving 4-1/2 to 5 MGD. The operating costs tend to approach more to the cost of operating the full facility. This is not taken account of.

Any attempt by the municipality to recover costs from some other method than ICR--I have seen in several places through here--you mention removing some or all of the ICR system and actually putting the responsibility for capital cost recovery back on the community. There again the tendency is they pay for a 10 million gallon facility, of which only 5 is being presently used, but they are having to make repayments on 10. Therefore they look to industry, whoever, to actually provide the repayments to cover their repayments for that.

I think this is something you should consider in anything that is involved with abolishing ICR or modifying it in some form to make sure that industry--industry tends, by and large, to know how much waste it is going to produce, roughly what strength. That is not completely true. It is more true than trying to anticipate population growth. They generally know how much capacity they want and how much capacity they may want to have in addition, if they wanted to expand. It is generally fairly predictable, so they, I think, feel they should be able to go to the municipality, saying, we need this much, we would like to know how much it is going to cost us in terms of capital recovery.

Once they get committed into the program, then they find that if costs get out of hand, it is very hard to make a certain decision. I think their involvement in facility planning would be valuable.

MR. DONAHUE: Since you work with Brown & Caldwell, what kind of pressures to you get when you are talking with a community and trying to design a wastewater treatment plant facility, trying to size it? What kind of pressures do you get? What do you do to try to build for them one that will be big enough to handle their needs, but not to run at 45 percent capacity? What are good ways to get industry involved, since industry frequently bears a fair share of the local capital cost? What are ways to get industry involved?

MR. HARBER: I think the growth question has been addressed by EPA now to the point at which it is fairly well controlled. The problem with the treatment plant design aspect is there is an economical expansion size, so you must build increments of a certain size and therefore some surplus capacity gets built in, in service. It is generally based on a fairly sound engineering decision.

I don't believe plants are now getting built--they shouldn't be any longer, anyway--that have this 40, 50 percent capacity. That should be corrected now, anyway.

MR. DONAHUE: If you are building a plant, you are talking about one with a 10 MGD plan, and only getting 4 MGD flow, and operating costs are fairly fixed. What would be some way, if you don't put it on a proportional basis, what ways will you use to recover operating cost? Who would pay for it?

MR. HARBER: Capital costs I would feel should be brought in, in the way of front end costs. As many municipalities have a connection charge as well as a yearly charge, I think that can be related to industry as well as general domestic connections. The operation and maintenance cost, I don't honestly have an answer for, unless you back them off financially so that people coming into the system later pay a larger share of O&M to represent what has already been spent. It is difficult for me to put the idea over.

MR. DONAHUE: This is a feeling, but administratively I think it would be difficult.

MR. HARBER: That's the only way I can see doing it. I assume we, as a compny, will be putting in information.

MR. DONAHUE: We would be glad to get one from your local office.

MR. PAI: Can I ask you, just from your knowledge in this area, how common is this plant operating around 50 percent of capacity? How common? Is it an isolated case or what?

MR. HARBER: It is not uncommon. It tends to be more the smaller plants than larger ones.

MR. DONAHUE: The figure we have on average utilization, 68 percent, is very misleading, because if you take a big city like Chicago, if they throw in an extra 50 MGD, it's only a small percentage excess.

MR. HARBER: Is your 68 percent figure based on flow?

MR. DONAHUE: Flow.

MR. HARBER: It is really biased to a larger area.

MR. DONAHUE: It is frightening when you get to a small town.

MR. PAI: Is there any other lady or gentleman who wishes to make a comment here?

STATEMENT OF W. T. SPRAKE,

GARDNER ENGINEERS, SEATTLE, WASHINGTON

MR. SPRAKE: My name is W. T. Sprake. I am with Gardner Engineers in Seattle, civil and structural engineers, and we are involved in water and sewer system design.

We prepare rate studies when we can't avoid it, for clients, of course, that need the service.

My guess is that they would favor Alternative No. 12, which pays their obligations to the federal government for the grant, but allows them to determine for themselves the way in which they would like to do it.

When I make a presentation on rates, I say that the characteristics are of course adequacy, equity, simplicity and durabiliy; and you can't possibly achieve all of them. It is a matter of trying to get a balance, and that means you must understand the local situation in order to achieve the best you can in simplicity and equity, and of course by state law they must be adequate.

So without being authorized to speak for them, but understanding what they have told me in the past, my suggestion would be, I would like to tell you that I think No. 12 would be favored.

MR. DONAHUE_ Thank you very much.

If anybody has any questions or comments--I can't believe we have done so good a job that everybody is satisfied with what we have said. If somebody has a question or a comment, we would like to hear it.

MR. PRICE: I can make a few more comments on your alternatives.

MR. DONAHUE: Sure.

MR. PRICE: I would like to point out some of the particular concerns that a company would have. I believe earlier in the presentation someone mentioned that the average administrative cost would run in the neighborhood of $15,000 to $20,000 per year for a typical ICR program, and I believe it was also stated that the average discretionary 10 percent funding would be approximately $8,800 a year. That says that the discretionary funds that the typical municipality receives are approximately half or less of what it will cost that municipality to run that program to get those funds. That says that the difference is coming out of the municipality's own pocket, because they can't use the other 40 percent that they get for specific capital projects.

From that standpoint I think the program is, contrary to some of the statements I have heard, your own study has pointed out that the cost of administration exceeds the benefits that the municipality is going to receive.

MR. DONAHUE: There have been a couple recent changes in EPA regulations which allow taking the administrative cost, incremental administrative cost off the top of the ICR collections. But that doesn't change very significantly the cost effectiveness situation. It still costs you a fair amount of money to collect a not much greater amount of money.

MR. PRICE: As an example, Tacoma Central Treatment Plant is a 27 MGD plant. It is primary. We have, including the industrial representative that was here today, we have approximately 3 million gallons of that which is industrial that would qualify for ICR. When regulations were changed from a 2,500 to a 25,000 gallon cut-off point, we decreased from about 60 industries to approximately 50 that would fall under the ICR provisions. We have about five or six large ones that account for approximately 2 million gallons a day of that 3 million. That means that there are some 40 to 45 additional small dischargers that would still fall under those provisions, but only represent approximately one twenty-seventh of the total capacity altogether.

It still takes monitoring and billing and administrative costs for those other 45 as well as the big five. So we lose our shirts on the 45, and we have to break even on the big five.

So from that standpoint, the 25,000 gallons per day limit does not make any sense in our case. Granted we have a very small percentage that is industrial, as opposed to someone from Idaho that said they had approximately 85 percent that was industrial.

MR. DONAHUE: I can understand the increased administrative billing costs. What additional monitoring do you have that you could eliminate if you did away with ICR? You still have to maintain User Charges.

MR. PRICE: At this point we are not sure how much that is going to impact us, because as I pointed out in our prepared statement, we have suspended development of an ICR program.

I have already commented on No. 8 of your alternatives, which indicated that the circuit breaker policy might reduce administrative costs. I can't see that really reducing them, because you are going to have to monitor, run surveys, bill, calculate the bills; and you may at the last moment eliminate someone's bill, but you have gone through all the administrative procedures, and you will have to continue to watch that industry, because the next six months or a year or whatever your billing period is, they may again fall above the line and have to be included.

MR. BROWN: One question that we have had for grantees oftentimes is, assuming you have to monitor for your User Charge system and you have to charge for excess strength, you have to know what flow is, what additional monitoring do you have to do for ICR that you don't have to do to maintain a User Charge system?

MR. PRICE: First you have to calculate that industry's share of the plant, and you have got to separate out each billing period, whether or not he is really using that part of the plant. In other words, Nalley's representative has stated that their wastewater flow comes in at several locations. It varies by some 25 percent annually. It may vary considerably more than that in a one-month industrial billing period.

We are keeping records of how much we should charge them, but I assume we would have to compare each month how much of their fair share of the treatment plant they actually used and bill them accordingly, or are we going to bill them once a year on the basis of their maximum potential use of the plant?

I would assume if Nalley's cut their flow in half permanently, we would have to reduce their ICR charge. So then you can carry that down to an every month basis. We bill every month. Do we figure their ICR payment on the basis of water use each month, strength each month?

So we see the potential for some pretty significant administrative costs.

I too am drawn to Alternative 12, but I think that so far we are missing the same point we missed on the User Charge studies, and that is that local municipalities ought to have the right to decide based on their load conditions how they are going to recover those charges.

As an example, the major increase in Nalley's bill that you have been told about came about partially from the fact that in 1971 when the last rate package was developed for Tacoma, the city fathers elected at that time that industry would be in essence subsidized by the local residents; that is to say, they would not pay their full cost of treatment. That was their prerogative at that time. It no longer is, and consequently we have had to place more of the burden for industrial treatment on industry. We have had to place all of it on industry, which means that the residential rate is going up very little and the industrial rate is going up astronomically. We don't have a choice.

Those figures that Mr. Bonn gave you were for User Charge changes based upon the federal requirements and they do not include going to secondary treatment. That is just a primary treatment plant.

I see no reason why the local government should be precluded from determining that lower capital cost charges to industry is not a viable option. Why shouldn't they be able to decide that they would rather encourage industry to come in, encourage jobs, and make that decision on a local basis? Right now I think that our city council will probably, even if they were given that option, would very likely say they wouldn't want to pay the full share. But under Option 12, just as under the User Charge program currently, they don't have that choice.

I don't think it is necessary to take away from the local municipality.

MR. DONAHUE: I think the idea in that alternative was if recommendations coming from the study were just to abolish Industrial Cost REcovery, that recommendation may or may not get favorable reception on Capitol Hill.

If that were your recommendation, that Industrial Cost Recovery isn't doing what it is supposed to do, but there are other things that can do the same things ICR is supposed to do, abolishing ICR and recovering a portion of the local share would be a definite incentive for cities to build appropriate sized treatment works without a whole lot of excess capacity, and would also encourage them to conserve water.

MR. PRICE: Our experience with the state and federal regulatory authorities is such that we are not particularly concerned about the opportunity to gold plate our treatment plants. We have been very closely monitored, and we feel we have developed a sewage plant that gives us what we need without a lot of surplus capacity. That decision was a very hard fought one, but we are satisfied with it as I believe the state and federal organizations are, also.

MR. DONAHUE: I think in the case of AMSA meetings, the 43 cities that belong to AMSA, by definition being metropolitan sewage agencies, the problem of excess capacity isn't as severe as it is in small cities.

MR. PRICE: We are in AMSA by the skin of our teeth. We fall below the minimum definition of a metropolitan sewage agency. We are on the lower end of the scale. A 5 MGD surplus capacity is still a pretty sizeable chunk for us.

I would like to point out one other avenue that perhaps could be explored. Tacoma operates as a public utility in their sewage facilities. Many of the smaller communities do not, We don't have the problem of contingency funding, because we are required to make enough to recover our costs, and set aside funds, We cannot borrow from general government nor can we loan to general government. If you go to a self-sustaining private business approach to the operation of a sewage utility, you eliminate a lot of that. But we still have, under public utilities laws, we could still adjust our rates to place the burden on one or another group a little more selectively than we are allowed to under federal regulation.

MR, DONAHUE: Do you have to go to the state for approval of your rates, go to the state PUC or something like that for approval of rates?

MR, PRICE: No.

MR, DONAHUE: Do you have a city veto over rates?

MR, PRICE: Yes. The city council will have to approve or disapprove. If they disapprove of our rates, all we can do is cut our budgets and reduce our operating expenses. We cannot operate in the red.

I think that is probably the critical item that if you are operating as a utility, you are going to have to get all of your revenue and that includes local capital cost recovery. It has to come from sewer rates.

MR. DONAHUE: Do you have provisions in bond covenants to set aside--

MR. PRICE: We have to have a minimum set aside. As I say, the state PUC law requires us to be self-supporting, which means that we are going to recover whatever our local costs are, both for operation and maintenance and capital recovery. They will have to be recovered from the sewer user, not from the general taxpayer.

MR. PAI: Mike, if the city vetoed your rate increase request, and you have to cut your budget, would your plant still be operated properly and maintained adequately?

MR. PRICE: Something would have to go, and since the vast majority of our budget is for operation and maintenance, we can believe that we are operating fairly austerely now, and if we cut back any further, something is going to suffer. They are going to have sludge piling up on us or something that will eventually get us into regulatory difficulty with the state.

MR. PAI: It may happen, though.

MR. PRICE: I think it definitely will happen.

MR. PAI: What you are saying, the system you have, there is no guarantee that you will always generate sufficient revenue?

MR. PRICE: Yes, we will always generate sufficient revenue. We have to, by law.

MR. PAI: I mean sufficient revenue is for proper operation and maintenance of the plant, not sufficient revenue to cover your expense.

MR. PRICE: The state PUC law doesn't speak to that. That is a matter of judgment on the part of the regulatory agencies. It is a matter of local government having to decide for themselves whether they are willing to possibly breach state or federal law, and in the area of pollution control, in an effort to keep the rates to local residents now.

MR. PAI: Just a question, how much of a percentage of your plant is being utilized now? Just flow?

MR. PRICE: We have dry weather flow in the neighborhood of 20 million to 22 million gallons a day, and we have plant capacity of 27 million gallons a day. For wet weather flow, we utilize the entire plant easily.

MR. PAI: I have no more. Thank you.

For the record, ICR paybacks, you can retain actually 50 percent, of which only 10 percent of that 50 percent is for discretionary use. Forty extra percent can be helpful to many communities. It is not what I call highly profitable.

MR. PRICE: Within our budget we have to set aside those contingency monies when we are operating a public utility. So the extra money, since it can only go for capital construction, has pretty limited benefit for us.

MR. PAI: I just wanted to say on record you did actually keep 50 percent.

I think we will just continue to solicit comments. Because of the fact that we adjourn for lunch, we may lose continuity of the discussion. It is subject to your preference If you feel we should take a lunch break, we will. But anybody who would like to make a comment, I would feel this is a better time, rather than after lunch. I am sure some of the people will have other engagements in the afternoon. We may just use this lunch break and get every comment in and have a larger audience.

I will entertain comments from the floor. Does anybody wish to make one?

MR. MAGUIRE: I would like to ask a question, not a comment. Could you give me a rundown on the time schedule again?

MR. BROWN: We would like to have comments from you to be included in our draft report by October 31. In mid-November we should have finished our first draft of the final report, and we are going to circulate that for comment, and starting around the first part of December, we will start our final report to Congress which will include all our recommendations. The final report has to be delivered to EPA around the middle of the month, so that they can get it over to Congress by the end of December.

MR. MAGUIRE: EPA report will then go to Congress on or before the 31?

MR. BROWN: Right.

MR. DONAHUE: That is a legal requirement. It is written into the law. We couldn't get an extension without amending the Clean Water Act.

MR. PAI: Another thing you may be interested in, we will have a summary of this public meeting, and whoever has their name on these cards will receive your copy of the summary. So whoever has not filled in these cards, please fill in these cards so you will receive a copy of the summary of this public meeting.

MR. HOUCK: The report gets turned into EPA in mid-December?

MR. PAI: Mid-November. They will send it to me in mid-November.

MR. HOUCK: The report that goes to Congress, has the report been edited by EPA?

MR. PAI: EPA is responsible for the final product.

MR. DONAHUE: EPA is going to edit the report. I think what you are implying is EPA going to censor the report? No, EPA is very open.

MR. HOUCK: I didn't mean censor. I was wondering if EPA was going to put their judgment on the report?

MR. DONAHUE: Absolutely. EPA has legal responsibility to conduct the study and make the decision.

MR. PAI: What I am trying to point out to you, EPA will not have prejudiced the judgment. The EPA judgment was more or less in line with what this meeting reflected, and as far as in other parts of the country, EPA has a very open mind at this point. That is one of the things that Congress instructed us, and that is why we instructed the contractor to keep an open mind on the final recommendations.

We came out here with an open mind. Whatever your preference may be at this point, be sure to let us know. I think that is the only way to make a decision by the majority or by consensus.

MR. WHITTOM: Just for clarification, on the comment from the gentleman from the State of Washington, it doesn't set too well with me. I am not criticizing you personally. When someone, the attitude, like in this case referring to industries as not being a taxpayer. In our community they are a taxpayer. Not only that, that cost that we are incurring on them is being passed on to you and me as consumers and those of us who criticize the system such as this, are the first men to say it's the middle man that causes a price increase, in the grocery store, in this case potatoes or beans, or whatever it might be.

MR. DONAHUE: You are talking about passing on increase to consumers, that is true. That is certainly what industry would like to do if they are hit with increased price. One of our concerns with industry, particularly the textile industry, where we have a big problem with foreign competition, what we have been hearing from industries, some industries, is their prices are not really set by the cost of production, but really what the market will bear to pay for it. They are not able to pass along the cost, which is why some of them are concerned in closing down.

MR. WHITTOM: When that happens, you end up with more monopolies, a particular type of processing firms. In other words, they can dictate the price more to us than if you have a whole bunch of them. We will end up with a food chain like we have with oil cartels now.

MR. PAI: Let me make a comment on that. I think we all understand, once total cost is committed, somebody is going to pay it. And this indirectly or directly is paid by taxpayers at large. One of the major concerns we have, as I pointed out, is trying to see if the total cost committed is palatable for us, either for the industrial users or consumers. Because eventually it is coming down to all of them. What we are most concerned with is total cost committed. Can we hack it? That is our key question because once you have that cost there, somebody is going to pay for it, and it wouldn't be fair for anybody to take an extra burden of that chunk of the cost.

What we are trying to do, and this is the way we try to solicit your comment, if you think there are better ways that we can have a more reasonable commitment of the total cost, capital cost, O&M cost, that is what we have to look at. I am saying in line of reasonable growth. I am not saying that we will cut down growth of industry or population growth, I am saying in spite of reasonable growth, we still have to see whether the total cost we committed can be hacked by any group of people because we are all together. The industry is the backbone of our socio-economic system. We should never say industry should pay an extra share of their cost, and I don't think consumers should pay an extra share of cost. The important thing is to make a reasonable judgment on the total cost that you are going to commit.

MR. WHITTOM: You people in EPA have been a prime promoter of higher food prices, and you don't get the blame put on your shoulders. It is always the processor or the producer or the grocery store man. But you have been, through things such as the Clean Water Act and so forth, the emissions control on automobiles and so forth. The idea that vehicles that were going to be transporting and have catalytic converters in Idaho, add to the cost as far as I am concerned, and they cost the consumer.

MR. PAI: I agree with you. The consumer gets the benefit of the Clean Water and clean air and that is the name of the game.

MR. DONAHUE: While EPA may administer some of the laws more stringently maybe than they have to administer, some of them say they don't administer them stringently enough. EPA is merely administering the law; Congress enacts the law.

MR. WHITTOM: Sometimes regulatory agencies--we are getting off the subject--they expand beyond what the Congressional intent was.

MR. OTT: I am Elwood Ott from Seattle Engineering Department. Could regulations be written so that if administrative costs actually exceed the cost that you recover that you could abandon the program or cut it off at some point? Because in our particular case the grants we got were just a small increase to our--we had all the sewers and everything, and just had a small increase, so that we will be lucky to break even with 50 percent. If I put like today's meeting, which should be part of this cost into it, we lose another couple hundred dollars.

MR. PAI: There is a possibility that administrative cost exceeded the total cost to be recovered.

MR. OTT: If that could be made flexible, then we could cut it off.

MR. PAI: That is one of the circuit breakers we are talking about.

Again the difficult problem is how do you adjust administrative cost, and whether it would be reasonable to estimate that portion. That is one of the alternatives here.

If you look at Alternative 8--

MR. DONAHUE: It wasn't clearly said, but in Alternative 8, that is one of the things that falls under that kind of alternative. It wasn't specifically mentioned.

MR. PAI: Or the last one is very related, the dollar level of ICR payments.

MR. OTT: We had that in our ordinance, got thrown out by EPA.

MR. PAI: The law does not allow us to approve systems that cut out after this time. That is one of the viable alternatives.

MR. SPRAKE: What do you do in a situation where 40 percent or so of the sewage in the community is produced by federal facilities?

MR. PAI: The federal facility basically is under another separate requirement, in the way that a federal facility has to put out front money.

MR. SPRAKE: We are in the situation in several communities where that is the case. The size of the sewage treatment plant--is enormous compared to the requirement of the citizens. It is federal agencies who are there, not only producing large quantities of sewage, but the kind of sewage which requires expensive treatment.

Can we get money back from them under ICR?

MR. BROWN: YOu charge them up front for what it cost to build their portion of the treatment plant.

MR. SPRAKE: How about operation and maintenance?

MR. PAI: They pay through the User Charge system.

MR. SPRAKE: You are saying we can get from them their 40 percent?

MR. DONAHUE: Yes, sir.

MR. PAI: Their 40 percent was not paid by you. In other words, if your total project is 10 MGD, say it cost $10 million, of which 4 MGD is attributable to federal facilities,

MR. SPRAKE: Perhaps I was reading this too literally.

MR. PAI: The reason is governmental users pay their money out of front.

MR. SPRAKE: Thank you.

MR. PAI: Any gentlemen here who do not have his street address--this is going to be the mailing address that we are going to send you the summary; if anybody feels he didn't fill in a complete address, be sure to come forward and complete this address form so we can send them to you.

The meeting is now adjourned. We will continue to solicit comments and we will have some informal discussion after this.

(Whereupon, at 12:55 p.m., the meeting was adjourned)

1

UNIFIED SEWERAGE AGENCY
OF
WASHINGTON COUNTY
ADMINISTRATION BUILDING — 150 N. FIRST AVENUE
HILLSBORO, OREGON 97123
(503) 648-8621

BOARD OF COMMISSIONERS
MILLER M. DURIS, Chairman
BILL BLOOM
VIRGINIA DAGG
RICHARD C. HEISLER
RAY MILLER

Joel Wesselman
General Manager
Room 302

October 18, 1978

Environmental Protection Agency
Region X
1200 Sixth Avenue
Seattle, WA 98101

Attention: Ms. Chris Noah-Nichols

SUBJECT: Industrial Cost Recovery (ICR)

The Unified Sewerage Agency of Washington County, a recipient of substantial federal grants in terms of the State of Oregon, takes the position of favoring the abolition of the ICR program provided for under the Clean Water Act of 1977. We have determined preliminarily that we serve 17 industries that fall into the "industrial user" category. Further, we have determined that our recovery will be less than $50,000 annually and, therefore, question the economic feasibility of such a program. Assuming we can use 20 percent of our share of the recovered funds for administrative costs, there is no possibility of offsetting our actual administrative costs. If the program is implemented, it is possible that some industries will construct pretreatment facilities, thereby causing significant adverse effects on the regional sewerage plan.

EPA's contractor, Coopers & Lybrand, have identified two disadvantages in the event the program is abolished, they are as follows:

1. Without some control over the design parameters allocated to industry, abolishing ICR may encourage grantees to plan and construct treatment works that are larger than necessary; and

2. Abolishing ICR would eliminate ICR revenues retruned to the federal government.

We suggest that the control suggested in number 1 above can be imposed at the time facility planning is being accomplished and during construction plan review. Regarding number 2, if EPA grants $45 billion, the best estimate suggests a return of $0.5 to $1.0 billion to the federal government over a 30-year period. We feel this $33.3 million annual return is insignificant in terms of the federal budget.

Finally, the local funding for this Agency is provided through ad valorem taxes paid by all properties whose tax rate is based on property value. Industries also pay taxes to the federal government. If one assumes these taxing formulas to be equitable, then industry has already paid its share toward the sewerage facilities.

In summary, we believe the costs to implement and administer the ICR program will be as great or greater than the actual dollars recovered and, further, believe industry has already, and will continue, to pay its share of the clean water program.

Very truly yours,

Gary F Krahmer

Gary F. Krahmer
General Manager

GFK:by

esi
Electro Scientific Industries, Inc.

13900 N.W. SCIENCE PARK DRIVE
PORTLAND, OREGON 97229
(area code 503) 641-4141
TELEX No. 360273

October 16, 1978

RECEIVED
OCT 23 1978
U. S. A.
WASHINGTON COUNTY

Mr. Gary F. Krahmer, General Manager
USA Of Washington County
Administration Building
150 N. First Avenue
Hillsboro, Oregon 97123

SUBJECT: ICR regulations regarding industrial users of USA System.

Dear Mr. Krahmer:

We are strongly against EPA recovering their costs for services rendered. Tax money was used to primarily take care of industrial users and some 75% of that tax money came from industrial users. The bill has been paid. For EPA to ask us to pay it twice is beyond our comprehension. Please express our views in Seattle with your meeting with EPA.

Yours very truly,

ELECTRO SCIENTIFIC INDUSTRIES, INC.

Don Dennis
Facilities and Maintenance
Manager

1

HALEY'S FOODS
Division of
C·H·B

HALEY'S FOODS DIVISION OF C·H·B

P.O. BOX 200 • HILLSBORO, OREGON 97123 • Phone (503) 648-1181

RECEIVED
OCT 20 1978
U. S. A.
WASHINGTON COUNTY

October 19, 1978

Mr. Gary F. Krahmer
Unified Sewerage Agency
150 N. First Avenue
Hillsboro, OR 97123

Dear Mr. Krahmer:

Thank you very much for your letter and notice of the public meeting to discuss industrial cost recovery payments.

As I mentioned to you in our phone conversation, I, as general manager of HALEY'S FOODS a food processing facility located in Washington County, Hillsboro, Oregon, am very concerned with the potential cost to not only our company but other industries of the county and the nation. In the 2½ years that I have been general manager of HALEY'S FOODS, I have seen our sewer costs nearly double without an increase in production but actually a reduction in cases produced.

We employ approximately 100 people on a year round basis in this manufacturing facility. I am sure you are aware that the food business is a very competitive industry. We are a relatively small concern and are finding it more and more difficult to maintain our competitive position against many of the larger corporations. Any further charges with the impact that is mentioned in the rules and regulations of the Federal Register of September 27, 1978 would have a tremendous economic impact upon our company.

I would please ask you, Mr. Krahmer, if you could represent our company namely, HALEY'S FOODS, and pass our message on at the public hearing in Seattle, October 25, 1978. I would further compliment your agency on your ability to handle the enormous amount of growth that our area is currently experiencing.

Again, I would like to thank you for informing me of this important public meeting; and I feel quite pleased we have a professional representing our company's views. I would appreciate hearing your comments pertaining to this meeting, so I will call sometime after the meeting.

Sincerely,

R. Gern Nagler

R. Gern Nagler

HALEY'S FOODS
Division of C.H.B. Foods, Inc.

RGN/sed

1

CITY OF TACOMA
WASHINGTON
PUBLIC WORKS - UTILITY SERVICES
SEWER UTILITY DIVISION

October 24, 1978

Mr. Donald P. Dubois
Regional Administrator
U.S. Environmental Protection Agency
Region X
1200 Sixth Avenue
Seattle, Washington 98101

Subject: Industrial Cost Recovery - Position Statement

Dear Mr. Dubois:

This statement represents the position of the City of Tacoma regarding the Federal Industrial Cost Recovery Program mandated by the Federal Water Pollution Control Act. It is our understanding that this public meeting is being held to obtain public comments which will be the basis for a decision on implementation or non-implementation of the Industrial Cost Recovery portion of the Federal Water Pollution Control Act.

As a member agency in the Association of Metropolitan Sewerage Agencies, we participated in the drafting of a resolution regarding Industrial Cost Recovery at the annual AMSA conference in Anaheim, California earlier this month. Tacoma fully supports that resolution by the Association of Metropolitan Sewerage Agencies. The resolution reads as follows:

> "The Association of Metropolitan Sewerage Agencies supports the elimination of ICR provisions from the Federal Water Pollution Control Act (PL 92-500) and the Clean Water Act of 1977 (PL 95-217). Until the ICR requirements of the law are eliminated, AMSA urges EPA to develop regulations for the program that are consistent with the spirit and intent of Congress' recent amendments to PL 92-500."

We have enclosed for your use the complete AMSA position paper from which this resolution was developed.

Tacoma has currently suspended all further work on an Industrial Cost Recovery study and program development and will hold further such work in abeyance until this issue is resolved by EPA during the Congressionally mandated moratorium period provided in PL 95-217. This action is

MA AVENUE SOUTH, SUITE 202, TACOMA, WASHINGTON 98405, AREA CODE (206) 593-4803

in conformance with Condition 4, Moratorium Reviews and Approvals, which is contained in your February 3, 1978, Region X Interim Policy on User Charges and Industrial Cost Recovery. This particular paragraph provides that grantees will not be required to develop nor submit ICR systems during the moratorium.

We thank you for the opportunity to submit this statement into the record, and we trust that the testimony presented today will be utilized in developing a reasonable and rational approach to the question of Industrial Cost Recovery.

Sincerely,

R D Sparling

R. D. Sparling, P. E.
Utility Services Superintendent

RDS:MPP:mi

Enclosure: AMSA Position Paper

3 RDS

AMSA RESOLUTION ON INDUSTRIAL COST RECOVERY

Resolution:

"The Association of Metropolitan Sewerage Agencies supports the elimination of ICR provisions from the Federal Water Pollution Control Act (PL 92-500) and the Clean Water Act of 1977 (PL 95-217). Until the ICR requirements of the law are eliminated, AMSA urges EPA to develop regulations for the program that are consistent with the spirit and intent of Congress' recent amendments to PL 92-500."

Rationale:

1. No practical benefits will be gained from making the program more complex, or from expanding the definition of ICR-eligible dischargers to include sewerage customers that are not normally considered "industrial."
2. Major changes in the present regulations -- outside of those mandated by Congress -- could be invalidated by the findings of the ICR study and subsequent actions of Congress and would, in the meantime, only delay fulfillment of final requirements as treatment agencies struggle with yet another series of regulatory revisions.
3. ICR requirements will work against the general objective of revitalizing America's center cities, since the ICR program makes joining or staying in municipal systems more expensive than would otherwise be true. As all industries are federal taxpayers, it is unfair to require them -- and only them -- to reimburse the federal government for 201 grant money spent on their behalf if other users are not asked to do the same.

Background:

The Clean Water Act of 1977 revised ICR provisions in PL 92-500 to exempt small dischargers from ICR payment and to allow calculation of ICR charges on a system-wide, rather than a project-by-project basis. In the law, Congress also ordered the Agency to undertake a study of the feasibility of ICR systems and the economic impact of ICR charges. AMSA urges EPA to use these opportunities to revise existing ICR regulations so the program requirements that treatment agencies must comply with are simpler, clearer, and more likely to foster the smooth administration of the programs developed.

RECEIVED
OCT 20 1978
UTILITY SERVICES DIVISION

State of Washington

Chapter 173–255 WAC

LIMITATIONS ON USE OF REFERENDUM 26 GRANT FUNDS FOR WATER POLLUTION ABATEMENT

WAC
173–255–010 Purpose and scope.
173–255–020 Effective date.
173–255–030 Definitions.
173–255–040 Limitation of programs eligible for funding under Referendum Bill No. 26.
173–255–050 Limitation on grant awards within the municipal grants program.
173–255–060 Provision of guidelines.

WAC 173–255–010 Purpose and scope. The purpose of this chapter is to set forth the limitations on uses of moneys administered by the department of ecology pursuant to chapter 43.83A RCW (Referendum Bill No. 26). The limitations are necessary to insure that these funds will be used to their optimum extent to protect the resources and environment of the state of Washington and the health and safety of its people by providing adequate publicly owned facilities and systems for the collection, treatment and disposal of solid and liquid waste materials. [Statutory Authority: RCW 43.21A.080. 78–09–066 (Order DE 78–12), § 173–255–010, filed 8/24/78.]

WAC 173–255–020 Effective date. All projects, or phases of projects, which have not received a federal or state grant award for design, before the effective date of this chapter will be subject to provisions contained herein. [Statutory Authority: RCW 43.21A.080. 78–09–066 (Order DE 78–12), § 173–255–020, filed 8/24/78.]

WAC 173–255–030 Definitions. For the purpose of this chapter:

(1) "Department" means the Washington state department of ecology.

(2) "Agricultural pollution grants program" means the program of grants administered by the department for the planning, design and construction of publicly owned or operated agricultural pollution abatement facilities.

(3) "Lake restoration grants program" means the program of state grants administered by the department for the planning, design and implementation of lake restoration projects.

(4) "Marina pumpout grants program" means the program of state grants administered by the department for the design and construction of sewage pumpout facilities and dump stations at publicly owned or operated marinas.

(5) "Municipal wastewater treatment works construction grants program" (hereinafter referred to as the construction grants program) means the federal/state matching program of grants under Title II of Public Law 95–217 to municipal entities for the purpose of upgrading their treatment works to meet the effluent requirements of state and federal law.

(6) "Water supply residual waste treatment works grants program" means the program of state grants administered by the department for the design and construction of pollution abatement facilities for publicly owned or operated water supply plants in existence on February 3, 1976, that discharge residual wastes to the waters of the state.

(7) "Individual systems" means privately owned treatment works serving one or more principal residences or small commercial establishments constructed prior to and inhabited on or before December 27, 1977, to abate an existing water pollution or public health problem.

(8) "Industrial cost recovery program" means the program established under Title II section 204(b) of the Federal Water Pollution Control Act Amendments (Public Law 92–217) to recover the cost of municipal treatment systems attributed to industrial users, when a municipal treatment system has been funded with federal funds under Title II.

(9) Industrial user:

(a) Any nongovernmental user of publicly owned treatment works which discharges more than twenty–five thousand gallons per day of sanitary waste, or a volume of process waste or combined process and sanitary waste, equivalent to twenty–five thousand gallons per day of sanitary waste.

(b) Any nongovernmental user of a publicly owned treatment works which discharges wastewater to the treatment works which contains toxic pollutants or poisonous solids, liquids, or gases in sufficient quantity either singly or by interaction with other wastes, to injure or interfere with any sewage treatment process, constitute a hazard to humans or animals, create a public nuisance, or create any hazard in or have an adverse effect on the waters receiving any discharge from the treatment works.

(c) All commercial users of an individual system constructed with grant assistance under section 201(h) of the Clean Water Act of 1977 (P.L. 95–217).

(10) "Innovative and alternative technology projects" means those projects employing innovative and alternative wastewater treatment processes and techniques as defined by EPA guidelines in 40 CFR 35, Appendix E, and which are eligible for federal grants under 40 CFR 35.908 promulgated on April 25, 1978, or hereafter modified. [Statutory Authority: RCW 43.21A.080. 78–09–066 (Order DE 78–12), § 173–255–030, filed 8/24/78.]

WAC 173-255-040 Limitation of programs eligible for funding under Referendum Bill No. 26. (1) The following programs shall be eligible for state matching grants in an amount not to exceed fifty percent of the total eligible cost of a project as determined by the department: The marina pumpout grants program, the water supply plant residual waste treatment works grants program, the lake restoration grants program, and the agricultural pollution grants program. The department may authorize a matching grant less than fifty percent of the total eligible cost of a project in those cases where it would be in the public interest, or where federal matching funds are available and it would be in the public interest to secure a local matching portion.

(2) The construction grants program shall be eligible for state matching grants in an amount not to exceed fifteen percent of the total eligible cost of a project as determined by the department except as provided in WAC 173-255-050(1). [Statutory Authority: RCW 43.21A.080. 78-09-066 (Order DE 78-12), § 173-255-040, filed 8/24/78.]

WAC 173-255-050 Limitation on grant awards within the municipal grants program. (1) The state matching grants for innovative and alternative technology projects shall be limited to nine percent which is the same portion of the nonfederal share as other types of projects funded under the construction grants program.

(2) Expenditure of funds under the provisions of chapter 43.83A RCW is limited to public bodies which are defined in the statute to mean any agency, political subdivision, taxing district, or municipal corporation thereof, and those Indian tribes now or hereafter recognized as such by the federal government for participation in the federal land and water conservation program and which may constitutionally receive grants or loans from the state of Washington. This provision and definition prohibits the expenditure of state funds for matching grants for, among others:

(a) Individual systems; and

(b) That portion of the construction of a municipal treatment works attributable to industrial users. Such portion is to be determined through the Environmental Protection Agency's industrial cost recovery program. [Statutory Authority: RCW 43.21A.080. 78-09-066 (Order DE 78-12), § 173-255-050, filed 8/24/78.]

WAC 173-255-060 Provision of guidelines. The department will publish guidelines which establish procedures, under each of the Referendum 26 grant programs, for the grant application and award process. [Statutory Authority: RCW 43.21A.080. 78-09-066 (Order DE 78-12), § 173-255-060, filed 8/24/78.]

6

City of Fall River, Mass.

STEPHEN W. BUCKLEY
Supervising Sanitary Engineer

SEWER COMMISSION
ONE GOVERNMENT CENTER
FALL RIVER, MASSACHUSETTS

TEL.
617-675-6011

INDUSTRIAL COST RECOVERY MEETING

FALL RIVER GOVERNMENT CENTER

MONDAY, AUGUST 21, 1978

LEAVITT REPORTING SERVICE, INC.

INDUSTRIAL COST RECOVERY MEETING

FALL RIVER GOVERNMENT CENTER

MONDAY, AUGUST 21, 1978

PROCEEDINGS

MR. GEORGE DARMODY: If I can have your attention, my name is George Darmody. I have the honor this afternoon of introducing Congresswoman Heckler to this group who are all interested in the elimination of the cost recovery clause in the Clean Water Act. I might say that I represent the Industrial Commission, and within our office Congresswoman Heckler is indeed an asset for not only her District, but the country in economic development.

Our purpose here today is to allow the Fall River Industrialists the opportunity to present their cases to EPA officials and how the cost recovery portion of the Clean Water Act will affect them. Cost recovery payments in this city amount to approximately $134,000 annually to be shared by many businesses, with the major portion being paid by eight manufacturing firms, most of whom are represented here. These eight companies employ 1,810 people which breaks down to a cost of approximately $75 per person. I point this out to show that we not only are talking EPA, but economics. It would simply cost the Federal Government far less dollars to eliminate the cost recovery clause of the legislation than to suffer tax loss and subsidized unemployment which potentially could result by the imposing of the cost recovery clause upon industry. Therefore, the Industrial Commission respectively requests that the cost recovery portion of the Clean Water Act of 1977 be eliminated.

Prior to turning the program over to Congresswoman Heckler, I might point out that the Congresswoman has led the fight for Fall River manufacturers and manufacturers within her district to get a moratorium for a study of this cost recovery clause, has been instrumental in contacting the proper people to give our industry an opportunity to present their case to the proper federal officials. I think she deserves a round of applause for the work she has done.

The Honorable Congresswoman Margaret M.

Heckler.

[Applause.]

CONGRESSWOMAN HECKLER: Thank you very much, George, and for your help on behalf of industrial development in Fall River. It's been invaluable.

I would like to say this is a business session. I am not going to take the time to make a speech. However, there are a few remarks that I think are in order. First of all, I would like to thank all of the Industrialists and the Chamber of Commerce and their leadership here. I am very sorry the Mayor is detained elsewhere in a very beautiful place, but he is well represented by his staff and by his assistant, Mr. Zenni. At the same time I am grateful that the EPA is here, and the consulting firm engaged in this important work is present.

One of the recurring problems we have in the Congress is the fact that we are often asked to enunciate policy, and we find that the regulatory agencies contradict the intent of Congress. When we return to our constituencies, we learn that the policies as we have devised them have been interpreted with a little different flavor and, in fact, an unacceptable twist on the local level. It has occurred so often that today I felt it was very important to be present so that this particular study which was originated as a result of an amendment that I proposed to the Congress and struggled hard to achieve and which was passed in the Congress will not be misunderstood by the regulatory agency involved.

I do know that there is a sense of cooperation here among the Industrialists, and for all present I would like to recite very briefly the chronology of what brought us to this point and why we see this as a major problem in the city.

Let me just say that in terms of the issue, the issue came to me on December 16, 1976, when I met with many of the people in this room, former Industrialists, to discuss the implementation of the cost recovery imposed by PL 94-500. The Federal Water Amendment of

1972, Section 204B1, states that the EPA Administrator shall not approve any grants or treatment works unless payment is provided to applicant by the industrial user for that portion of the federal construction. Seventy-five percent would be allocable to treatment of such industrial waste.

On March 24, 1977, after the meeting with the local Industrialists who explained to me the dire straits that they would face in this City which has faced economic distress for some time and is fighting its way around the corner to a renaissance economically, the prospect of having heavy charges imposed on local Industrialists which would force them to leave the City would raise such a serious problem in my mind and for the people of the City and for the City itself that I then asked for this special study.

This was proposed in the Congress, and on March 24, 1977 the House Public Works Committee reported out the bill containing my amendment which imposed an 18 month delay on collection of payment by industrial users for their portion of the 75 percent share of costs of construction of waste water treatment facilities. Now, it's this mandated study that we are embarking upon at this moment.

On April 5, 1977, the House passed the Water Pollution Control Act Amendments of 1977 with the Heckler Amendments intact. August 4, 1977, the Senate passed the bill exempting from cost recovery industrial discharges with flow rates not exceeding 2500 gallons per day. The Senate version of the bill which was considered a compromise has no effect on Fall River, since we are here talking about dyeing and finishing industries using heavy amounts of water. So, the Senate's answer was not an answer for this City.

In the fall of 1977 the Extended Conference Committee deliberated on the I.C.R. approach. This amendment became one of the chief controversies in the bill, and after extensive lobbying the House Proposal did pass, and the House Proposal mandated that the assessment of the economic impact in these older cities particularly where the level of distress could be exceedingly high would have to be made, and this would include industry such as the textile industry.

December 27, 1977, the President signed into law the Clean Water Act Amendment of 1977 with the Heckler Amendment intact.

Now we are here today implementing the laws, and we're now starting the study. I would say if the textile industry and the dyeing and finishing industry were to be excluded from serious consideration, I would not have embarked on this long struggle to have some economic impact study. So that I would feel that it's a Congressional intent, as I fought for it in the Congress as the chief sponsorer of this legislation, to have this industry taken into account with its particular problems in the northeastern section of the United States. And, this is what has brought us here today, and tomorrow we will be in Taunton and, gentlemen, I will be with you again.

Now, so that we start out on the right track, this is our track and we will be following this study and we want the emphasis, the kind of evidence that you're going to get from the Industrialists here today, to be taken very seriously by EPA because that is what this amendment is all about. We ask for your serious consideration of the economic and human problems of this City and the problems of the business survival in the City, a City that has seen many businesses go southward and find brighter horizons, leaving unemployment that the City can hardly absorb. These businessmen want to stay. They need some help. We have to find a way to find a compromise between ecology and the economy, and I support both.

That is the end of my remarks. What I would like to do is to proceed with having each person around the table introduce themselves.

Ralph, would you like to say something?

MR. RALPH GUERRIERO: Thank you very much, Congresswoman Heckler.

Thank you everyone for attending today.

My name is Ralph Guerriero, and I am Co-Chairman of the Fall River Textile Processors Waste Water Treatment Committee. Our group came together in a common cause: survival. We are truly an endangered species, the textile finishers. While we do not represent everyone in this room, Lou D'Amico and I co-chaired this committee, there are other people here, labor leaders and government people and other industries in the City that this industrial cost recovery will affect.

Political leaders today need more help than ever before. Some of them know it, as Congresswoman Heckler said a minute ago, and others need to be persuaded. Most of them are faced with enormously complicated problems way beyond anything for which they were prepared by prior experience. Our group has pledged to help them.

The reason we are here today is to do away with industrial cost recovery, if possible.

It is important. Everyone in this room is in favor of clean water. We join with other citizens in Fall River in the need to preserve our natural resources for future generations.

Our group was instrumental in this City creating a Sewer Commission which made it more comfortable for the City Council to approve the original bond issue which got the project started in the first place. The textile processors will be faced with 57 percent of the total annual charge for the waste water treatment facility. For an industry that works on low margins and is faced with competition in the south and our new competition from imports, we are disadvantaged, to be sure.

Will I.C.R. be the last straw to break our backs? If the existing industries are burdened with the cost of constructing waste water treatment facilities, some of us will literally go down the drain.

We are in favor of a user charger according to the amount and relative harmfulness of the discharges. This will be our incentive to reduce pollution: recycling, changes in our processes, shifting to less polluting materials as well as development of more efficient pollution removal technology. We are asking that I.C.R.'s portion of the law be eliminated, that ad valorem taxes be used to cover the industrial users' share of the cost of the treatment plant.

If the law cannot be changed, we do not intend to stop here. We intend to go to Washington, if necessary, to ask that Fall River be exempted from the law. EPA has made such exemptions. We will not stop here.

I will be back later to speak about my company, Swan Finishing Company. I will turn the meeting over now to Mr. Pat Harrington who represents United Merchants, then I will be back to speak about Swan.

CONGRESSWOMAN HECKLER: May I suggest that we go around the table and have each one introduce themselves so we will all know who is talking and then proceed with Pat Harrington?

Mr. Brian James, Massachusetts Divison of Water Pollution Control.

Martin Zenni, the Special Assistant to the Mayor.

Dan Bogan, City Council Chairman and Acting Mayor.

Bill Torpey, President of Fall River Area Chamber of Commerce.

Richard Levesque, Assistant Manager of United Merchants and Manufacturers.

Pat Harrington, Counsel for United Merchants.

Paul Horvitz, Counsel to Sterling Pile Corporation.

Leonard Ansin, President of Sterling Pile Fabrics.

Jim Lenehan, National Representative of United Textile Workers.

Tony Cabral, President of the Local.

Fred Canuel, Plant Manager.

Frank Stetkiewicz, representing Bristol Finishing Company.

Irwin Shaw, General Counsel of Providence Pile Fabrics.

Lionel Corriveau, Providence Pile

Corporation, Engineering Department.

Leonard Ansin, Sterling Pile Fabrics.

Louis D'Amico, Duro Finishing.

Ralph Guerriero, Swan Finishing Company.

John Friar, Sewer Commission, Fall River.

CONGRESSWOMAN HECKLER: And Private Consultant to Margaret Heckler. John advised me on many stages of our legislation.

Ed Donahue, Coopers & Lybrand.

Paul Flax, Coopers & Lybrand.

Steve Buckley, Supervising Sanitary Engineer, Fall River Sewer Commission.

John Noel, Cost Recovery Specialist for EPA Region One; Technical Advisory Committee on National Study.

Dennis Orvis, Chamber of Commerce.

Ken Dufault, Amalgamated Clothing and Textile Workers, Textile Division General Manager.

John Sullivan, Providence Journal.

Bob Luttman, Plant Manager, Frito-Lay.

Russell Borden, Frito-Lay.

Jack Robertshaw, President of United Labor Council and Massachusetts State Building Trades, Vice President of Fall River Building Trades.

Edward Myles, Jackson Company, Incorporated.

Roland Mercier, Engineering Manager, Aluminum Processing.

Edward Schultz, Plant Engineer, Aluminum Processing Corp.

Edward Capuano, President of Capri Textiles.

Bob Capuano, Capri Textiles.

CONGRESSWOMAN HECKLER: Pat, we can get started.

MR. PAT HARRINGTON: I think it should be primarily an industrial type input.

MR. RALPH GUERRIERO: We are here today to give input to the Coopers & Lybrand study on how it affects our industry. Well, I can speak for Swan Finishing Company. I have a statement I will read. I will give you a copy of my statement on how it affects Swan Finishing Company.

The title of my little talk is Endangered Species.

Swan Finishing Company was formed in 1958 by Mr. Ralph Guerriero, Sr., who came from New York. He is still a major stockholder. The company's primary purpose was to serve the textile industry by performing dyeing and finishing on various fabrics, Halloween costumes, drapes and home furnishings. Swan was originally located in Swansea, Massachusetts, a suburb of Fall River, until 1973.

Prior to 1973 Swan was discharging its affluent into the Lees River which empties into the Taunton River Basin. Under mandate by EPA to stop polluting the Lees River, the company decided to relocate to Fall River, where after neutralization its affluent would be handled by the City's sewerage treatment plant.

The company was without debt in 1972 and employed approximately 180 persons. There were no federal programs to help us relocate, so we financed our new building at a high interest rate from a local bank. Our debt exceeded $2.5 Million by the end of 1973. The stockholders had pledged everything to help the company stay alive. It would be necessary to increase production 40 percent in order to meet the company's obligations in a new facility. We see our whole building as a pollution device.

Then came the Arab Oil Embargo and economic recession which we are all familiar with. We sustained large losses in the following two years, and it was necessary to again refinance. We also had to make investments in other processes such as textile printing to diversify ourselves to be able to survive. Our debt increased to $4 Million. Our interest expenses were staggering.

Has Swan paid its share to help clean water? You bet it has. Today, the waters in the Lees River run clear and clean. Shellfish are bountiful, and the species of fish that has not been seen for many years has returned. We have paid our share, but it did not cost Fall River the jobs that Swan provided. We could have gone south like other companies have done, but we felt an obligation to the area and to our employees who had been with us for many years. Today we employ 250 people, mostly male, in a City that provides mostly jobs for females. They are low skilled and hard working. Some cannot even speak English. Where will these people find jobs? Ours are not low paying jobs either.

Our average wage is over $5.00 an hour and going up. Many of our employees drive late model cars and own homes and pay taxes in the City. Our annual payroll is over $3 Million. We also spend $2 Million for supplies and services in the Fall River area. This amount, I believe, turns over at least five times in this area and adds $25 Million to the economy of Fall River.

You may ask at this point what is the problem, why are you complaining, Swan has overcome all its problems so far, why not one more? For Swan the cost of I.C.R. is approximately $40,000. This is not a lot of money until you consider what our profit was, about 80,000. Our financial statements have been made available to Coopers & Lybrand, and they speak for themselves. The $40,000 does not include the tax rate effects of the City's share of the proposed waste water treatment facility or the operations and maintenance costs associated with industrial employees' domestic waste water generated while at work. I am sure the Union will be happy to hear I will not allow my employees to go to the bathroom. What will all that cost? No one knows.

The textile dyeing and finishing industry is in trouble. If you don't believe me, then ask the 350 employees who lost their jobs when Newport Finishing closed in 1977 or the 150 employees who lost their jobs when Midland Print closed, or maybe even ask the employees of Swan Finishing Company who didn't get a wage increase last year in last year's union negotiations. If you're still not convinced, then call Mr. Robert Donovan from the Department of Environmental Quality Engineering in Lakeville. Ask him why he has had to be so patient with Swan in regard to their air pollution problems.

Through the efforts of Congresswoman Heckler and Kenney Dufault Swan was able to secure a direct loan from SBA for approximately $100,000 at low interest to purchase air pollution equipment. This equipment is being installed and will be operational soon.

We are trying to be a good neighbor and live with other people and citizens in the City. Will the I.C.R. be the last straw to break our backs? We believe we cannot afford to pay I.C.R., and it should be eliminated.

We are also in favor of Senate Bill 2710 that would change the present law to allow the use of ad valorem taxes for industry's share.

Even if I.C.R. is eliminated, there is no guarantee that we will survive. There are many new storms on the horizon. We are fighting imports. What will the effect of deregulation of gas mean to us? Will the taxes in this City go up or down? I leave you with that question. Thank you.

CONGRESSWOMAN HECKLER: You know I can give an answer to that question, Ralph. Very good statement.

What would you like? Would you like to ask questions as you go along? I think to get the right information, you would like to hear from all these witnesses because each has his own specifics.

MR. PAT HARRINGTON: May I say, Congresswoman, that we have spent some time and effort trying to prepare for the record the basic background data which hopefully you will find useful later on in Washington. I think maybe we should get the people on the record, maybe not as extensively as Ralph, but at least let's find out what it is we are dealing with so that later on when we have that record we can point to it. It may be 2 inches thick, but at least we can point to it.

CONGRESSWOMAN HECKLER: All right.

MR. GUERRIERO: Let's proceed with the formal presentation, and we will make the whole transcript available to you.

MR. NOEL: Could I quickly say something? As you know, previously C & L was in Fall River at an introductory meeting to this follow-up meeting, I guess, as it turns out. In addition to the field work that was done at that time I understand they have made available to Mr. Buckley copies of industrial user survey forms which are most constructive for our purposes in terms of gathering hard, factual data to plug into our study. So, certainly, today we are glad to hear your presentation. I would like to alert you to the form. The form will probably be made available to you to provide some additional data that is useful to C & L for the specific approach that they're taking. I just wanted to alert you that the form was available or was going to be made available, so hopefully we could get some more information.

MR. HARRINGTON: I think maybe, for

the record, it might be worthwhile to point out that one of our problems with the prior meeting was the fact that the copies of the contract between Coopers & Lybrand and the Environmental Agency were not available, nor were the 24 questions that had been raised, and I think very legitimately raised, by Congress available at the time. So we had to sort of put those things together, so that the prior meeting could hardly be called a meeting where we had some sort of informed understanding of what we were talking about. So that I think that we now have disseminated this information and copies subsequently. I think all of the industries are in a better position to present their cases. We still would like to reserve the right to present in depth the economic impact because filling out the answers to the questions that raised -- It was your contract, your contract with Coopers & Lybrand, right?

MR. NOEL: I am with EPA.

MR. HARRINGTON: In any event, the EPA and Coopers & Lybrand have indicated in a five-page or six-page study here -- nine-page study what they want, you know, to discuss, what they want to develop. That was not available to us until two weeks ago. Whatever it was we mimeographed here in Ralph's office because we didn't have that nor did we have the questions which the Congress had raised in connection with this whole bill that apparently brought the Coopers & Lybrand effort with EPA into effect. So that I think that we would like to reserve at this point, if it is permissible, the right to submit detailed factual data based upon your contract in answer to the contract between EPA and Coopers & Lybrand. Is that acceptable to you?

MR. NOEL: Most certainly. The intent of the survey forms of which I spoke is to try to codify the scope of the contract in a kind of form that C & L can use to try to make a national assessment, but certainly anything that you can submit to us that is going to further our understanding of your situation is going to be most constructive to us.

MR. HARRINGTON: I think that Ralph has really, you know, keyed this thing off very well, but I would submit that the first question raised by Congress and whoever did this, and I assume somebody on the staff does it for the most part, but it's really very, very germane.

First, whether the industrial cost recovery program discriminates against particular industries or industrial plants in different locations; and, do small town businesses pay more than their urban counterparts? What is the combined impact on such industries of a usage charge and I.C.R. requirements? Whoever wrote that first question went to the heart, it seems to me, of the whole problem.

I think that basically what we have asked, we have disseminated this to all of the people here in the room, and I think that what we ought to really do now is to have them briefly discuss how the answer to that question affects their own industry, having in mind where they're located, what their charges are here and how they relate to national organizations and all the rest.

CONGRESSWOMAN HECKLER: Pat, have you seen a copy of their survey?

MR. BUCKLEY: He couldn't have. I received this questionnaire last week. I was on vacation, and I didn't know about it until this morning. So by tomorrow or Wednesday all industry representatives should have a copy of this.

CONGRESSWOMAN HECKLER: And it can be amended, if they have further information.

MR. HARRINGTON: I think with that, if it's all right with you, I think we should run through that scenario. I wanted this to be primarily an industry type approach. They have spent a lot of time and effort. I don't want this to be a legalese type operation.

CONGRESSWOMAN HECKLER: The whole point of this is to have the industry speak, and that is what we need, that data and that information.

MR. HARRINGTON: Ultimately the

request I would like to make with respect to information we need coming from this conference, which I think would be provided either through your office or through the Freedom of Information Act, but, in any event, I think we need some follow-up things from Coopers & Lybrand and the EPA. I think I can sum that up when we get all through.

CONGRESSWOMAN HECKLER: All right. Lou, do you have a statement.

MR. LOU D'AMICO: I would like to address myself to that first question because I think that is the most important question asked.

If we can go back to the 1950's, the south in their efforts to attract the textile industry, which they did very successfully, in most of the small towns and many of the large cities in the south adequate sewerage plants were built. Some of these were built, I would say, if they were built in the late sixties and early seventies, probably were financed somewhat with government money. The south has a user charge, but there is no industrial cost recovery.

We now come to the Fall River area, an old urban area that certainly was behind the times. They had a diminishing tax base and a host of problems, did not bother with updating their sewerage plants. It's now been mandated that they do upgrade their sewerage plants. You're now going to add, as the previous speaker said, 57 percent of this industrial cost recovery which would be assessed to the textile industry.

The major question that management is going to ask, why should we stay here when transportation charges are higher in the north, energy charges are higher, workman's compensation, taxes, payroll taxes, property taxes. So now it becomes another cost that really cannot be absorbed.

The thing that worries me with I.C.R. is that if any of these major plants, textile plants should leave, number one, you have now a facility larger than it should be. That means user costs, maintenance costs are going to have to increase. Secondly, you erode the tax base. Then you have a problem how do you attract industry to come in when you tell them, if you're a water user, hey, buddy, we've got an industrial cost recovery clause that you're going to have to absorb.

Our plants employ -- our group of plants are made up of three plants in Fall River: Duro Finishing, Duro Textile Printers and Pyro Finishing -- over 700 people. Our payroll is about $9 Million. Big number. We pay out group insurance of approximately $700,000 a year, over a quarter of a million dollars in pensions, plus at least a hundred thousand in health and welfare. If you knock out those 700 people, what in heaven's name are you going to do with them? Then it seems that I.C.R. is counter-productive. Then the United States Government will probably step in and say why are these people out of jobs, was it foreign import, and they will now receive some money per year. But that isn't adequate.

What do you do at the end of the year? What do you do with the hospitals that will have to absorb these people when they come in for services? What do you do with some of these workers that are depending on a supplementary pension in addition to Social Security? No more money will be going into the pension fund. This is the main concern.

We are really at our wit's end in New England. If you're going to survive as a textile plant in New England, you must work twice as hard as the other guy because not only do you have domestic competition from the south where everything is lower, but you have foreign imports. Our government has a free trade policy or a policy that is based on voluntary quotas. If you continue along this line, to add costs, you're going to cause the death of textiles in New England. I think that is going to be tragic.

That is basically my statement on one. I reserve the right at a later time to give you more information.

How will this affect our suppliers? We looked at our costs the other day. There is over $4 Million a year paid out to local people, people who supply us with paper tubes, electrical contractors, people who supply us with all sorts of supplies that we need to run our plant. That will cause a secondary problem of layoffs in other parts of the City, something that this City cannot afford. It seems to me that somewhere there should be some wisdom by the government that there should be a circuit-breaker for urban cities that do have problems, that I.C.R. should be waived. It just does not make sense that you would have the same formula apply to all areas.

We have led the nation in unemployment. We have led it in industry moving out. We have got every problem imaginable. Just look out the window and see. You can see the problems. And to cause a further flight of people who want to stay here, sincerely want to stay in this area, just doesn't make sense.

CONGRESSWOMAN HECKLER: Mr. D'Amico

was so persuasive, he made this same speech to me. That I think was more of a reason that I continued all of this. You really summarized the problem.

Is there another Industrialist who would like to speak?

MR. RICHARD LEVESQUE: (United Merchants and Manufacturers) As a little bit of background, United Merchants as of June 30th pulled out of Chapter XI bankruptcy. That leaves us running our own company again, but in a good need of a lot of cash and capital. United Merchants at the moment has been cut in half in terms of its total size. It's a multinational company, and cash requirements are in the six figures plus. Any drain of cash on a nonproductive basis at the moment would threaten the existence of the Fall River complex to the point where United Merchants would not hesitate to pull out of Fall River.

Up until a year ago just prior to the bankruptcy United Merchants employed a thousand people in this area. We closed down one operation in the last 12 months, Midland Print, and our current employment is 836 people. That contributes over $8 Million in terms of wages and salaries earned by people in this area.

Profitability in the textile industry as everyone knows is in the one and two percent area. Now, you tack on an estimated $60,000 for us based on the 73 proposal, and considering we have increased productivity about a third since then, you've got to consider 80,000 in expenses between I.C.R. and O & M charges. Take that off of profitability and you don't have a good reason to stay here.

The effect on Fall River is interesting. You know, there is a considerable amount of money which our company puts into this City. In terms of property taxes we put in $150,000 alone, just property taxes. Like I said, wages earned are $8 Million. That generates in terms of state and federal taxes well over a million dollars. And, on an average basis in terms of Fall River property tax, well over 70 percent of our people live in the area, we're talking about another, let me see, $800 to $900,000 in terms of City taxes, City property taxes, which are collected. You know, that is not even to mention the other effects of the waste treatment, not that we're opposed to waste treatment, but this is all adding to the burden of expenses.

We will probably have to install pre-treatment. Pre-treatment for us may go anywhere from a quarter of a million dollars up to two-and-a-half million dollars. There is no way at the moment that the company would spend two-and-a-half million dollars on waste treatment in this City. It's not that we want to leave, but we can't afford to stay under those conditions. And, as Mr. Harrington said, we do feel that this I.C.R. charge is discriminatory.

We reserve the right to submit additional information.

CONGRESSWOMAN HECKLER: Any other Industrialists who would like to speak?

MR. LEONARD ANSIN: (Sterling Pile

Fabrics) We have a statement that we put in. We have a statement from Sterling Pile that we would file with the record.

I prepared a few brief remarks in here. I don't want to be redundant on what has already been said. I think the case has been very, very well established already.

Let me just go through this letter and, if I read too quickly, slow me down.

Sterling Pile Fabrics Corporation is a Fall River based textile dyeing and finishing company involved primarily with the manufacture of dyed finished corduroy fabrics. Within the confines of our wet processing operation we employ the use of water combined with various dye stuffs and chemicals. These mixture solutions are controlled by our staff of employees in such a manner that the resulting effect on a processed corduroy fabric is a desirable one in the eyes of our customer. Once we have completed our use of a particular wet solution of dye stuffs and chemicals the remaining solution is discharged. For 30 years -- I say again 30 years -- we have been operating in such a manner here in Fall River with a reasonable degree of continuing success.

In recent years we all have had to react to forces somewhat beyond our immediate control, and these forces have had a significant undesirable impact on our daily lives. Rising inflation and skyrocketing energy costs, unaffordable medical expenses and insurance coverage premiums that lend a new dimension to the stretching of the imagination are a few such forces that are zapping our morale and resources, be they physical, financial or otherwise.

Our 30-year-old company employing 200 Fall River area residents is having to fight the war against all of these undesirable forces, and at the same time it's necessary for us to cultivate the marketplace, encourage growth and expand at home. As a result of our involvement to date with the I.C.R. program development based on our present volume of affluent and its nature we interpret the financial impact on our company to be approximately $18,000 per year with a user charge ranging anywhere from 35,000 per year to $50,000 per year. This means our company can potentially expect to spend somewhere in the vicinity of $60,000 per year to help make our area water clean, and this is providing we do nothing to increase our present volume of affluent or alter its nature in such a way that it would have a negative financial impact.

Our market distribution is worldwide, and in the same respect so is our competition. We are certain that if our product manufacturing cost is increased as adversely as these potential I.C.R. and user charge figures suggest, the results to a company such as ours will be a lesser competitive selling price, lower sales volume, fewer jobs and eventually an overall undesirable economic scene for our area citizens.

We feel that it is absolutely necessary that our area citizens be totally knowledgeable of what can happen, if the burden on clean water here in Fall River and the surrounding areas is not distributed on a fair and equitable basis, each one shouldering its fair share.

MR. HARRINGTON: Will you submit that as part of the record?

MR. ANSIN: Yes.

CONGRESSWOMAN HECKLER: Are there further statements for the record?

MR. GUERRIERO: Your Union representative is here.

Is Eddie Cabot still here?

Eddie Cabot, would you like to say something here because we seem to be taking the textile people first and then there are others. Would you like to say something?

MR. EDWARD CABOT: (Textile Processors) We are a new company that sprang out of the ashes left from the fire at Newport Finishing. I was involved with Newport Finishing. I know first-hand the effect of having non-productive costs laid upon a company. The I.C.R., as I see it, is a very unfair system of extracting payment from the people in this area and older areas particularly. In my business especially today we see our costs rise almost by the month, but this is a cost that won't go away and that we can't pass on because our competition doesn't have this cost, people outside of this area, people who have relocated in the south or people who live in an area that had the foresight or the affluence to build this type of facility before 1972.

There is only so far you can go as a straw in the wind. Someday even the straws stop bending, and they break. I think Congresswoman Heckler and you, sir, from the Environmental Protection Agency and anyone who has something to say should speak out for the people here who are being discriminated against. We are new and we are struggling. We certainly don't have some of the problems that are built into some of the older businesses, but with this cost and any other costs that come along, if we are in a position that -- I will speak for my own company. I know it's true for the most part of Duro and true of Swan and most of the other textile processors. Our competition doesn't come from a guy in Taunton who might be faced with the same problems. It comes from imports. It comes from people who are in a more advantageous location who don't have the costs and don't have to worry about passing it on. If we have an erosion of profits, obviously we won't be able to run a business.

CONGRESSWOMAN HECKLER: It is a fact of geography that our region of the country was settled earlier. That is part of our colonial heritage. Because of the age of the City we are dealing with older plants, older systems, and we have not been able to build from scratch.

FROM THE FLOOR: May I say something? Everybody is talking about the companies, but we've got to keep in mind the people, too, because they will be out of a job and where are they going to go? I mean, I don't think it's fair. I don't think it's fair at all. That is all I have to say.

CONGRESSWOMAN HECKLER: You are with the Textile Workers Union?

FROM THE FLOOR: Yes.

CONGRESSWOMAN HECKLER: If you have a written statement that you would like to have put into the record, you may submit it.

FROM THE FLOOR: No.

MR. HARRINGTON: May we reserve the right to submit one later on?

MR. EDWARD MYLES: (Jackson Company) May I say something? I am one of those companies that is supported by these other companies like Ralph and Lou D'Amico have been talking about. I manufacture paper tubes, and I believe that most all of the factories that are here I represent as their supplier. If they go, my business goes with it. Though we are a small company, there could be 30 to 50 jobs that will leave this area, if these businesses go down the drain, as Ralph says. I am sure that all the supporting industries will feel this amount of impact and that the total loss of jobs will be double what the industries themselves use. Thank you.

MR. ROLAND MERCIER: (Aluminum Processing Corp.) We are not textile labor at all. We are a division of Lite-o-lear, New Jersey. We have to compete with satellite divisions in New Jersey, Illinois, California. This area has already been pointed out as having the highest utility rate. We feel we would have qualified under the secondary metal products group which was one of the groups to be considered. However, the decision has been made to cancel out on a complete electroplating line which had been established in this area because of the water waste, what have you.

CONGRESSWOMAN HECKLER: You cancelled out a whole expanse in the area?

MR. MERCIER: Yes. There would have been at least ten jobs to start and probably tripling very rapidly. The other problem is our expertise is in the fact that we are considered the best in what we do in Lite-o-lear. This is why we employ roughly 550 people. We do it better than our other divisions. We do it better because we hire technical people. Technical people cost money. If the decision were made to have I.C.R. the cutbacks more than likely would have to come from these technical people. Cutbacks in the technical people would result in us not possibly being as competitive as our other divisions, and as a result of that I am sure Fall River could lose jobs in that area also. I do have a statement which I will submit later.

MR. NOEL: Could I ask a question? You indicated that you deferred expanding your operating line because of these proposed charges?

MR. MERCIER: Yes. It makes us non-competitive with some of our other divisions.

CONGRESSWOMAN HECKLER: Are there further statements? Mr. Stetkiewicz.

MR. FRANK STETKIEWICZ: (Bristol Finishing Co.) I operate a little plant called Bristol Finishing Company. We are a small business. There was a time when a fellow who had a little knowledge and not too much money could go into the textile business, he could run a plant. If he wanted water, he took it out of the river. This is dead. As time went on he grew, but was still small. We only employed 40 people, but this is a payroll of $550,000. When I say 40 people, it's really 40 families. Many of the advantages that they have at the other plants we haven't been able to afford.

As time went on, we were hit with the oil, practically went down. We had to go to the bank, mortgage all our property, and we managed to survive. We paid off most of our problems. We're starting to give the employees some advantages, and now we're faced with maybe $10,000. Our profit at the end of the year may be this $10,000. We are not in good shape. We can't very well afford this. So, small businesses should be considered.

That is all I have to say. I have no statement.

CONGRESSWOMAN HECKLER: Mr. Shaw had something to say.

MR. IRWIN SHAW: (Providence Pile Fabrics Corp.) We are a major textile manufacturer in Fall River. Although we do not do any dyeing and finishing in this area, we do it in

Woonsocket, Rhode Island with another company. All of the comments which have been mentioned here today apply to that operation, and we are extremely concerned and are looking at this thing on a day-by-day basis. However, to get back to the Fall River area, since we do not have this type of activity here, I will say that our presence in this City has been very nice and we have grown. This is our world headquarters.

I can't say that at this moment I have some of the problems here that you other gentlemen have. However, I would like to mention why maybe we are here from another point of view. As I mentioned, the company has grown and we hope to continue to grow. In some of our growth areas it does use water processing and finishing techniques. In view of what is happening here and our observations of what is going on in Woonsocket, it would not be in our best interest to make any commitment of any type until this matter were resolved.

We currently are considering other

locations in the south. By the way, for those of you who haven't been exposed to this -- I have mentioned this before, and I will say it again -- our company continues to get courted by various utilities and local governments in the south who come up here, and they're offering us a lot of good dice including much lower utility rates, and we certainly would not have the effect of this industrial cost recovery. It's extremely tempting, and I think it certainly is in everybody's best interest, not just from a where we are now point of view, to look forward to try and get a good handle on this and realize that, if this type of legislation does get implemented, what the effect is going to be on this area from this time forward.

MR. NOEL: Could I answer the question not only of you, Mr. Shaw, but of several other people who mentioned a regional inequity, if you would, between the north and south?

I would like some information because there is a general concensus in the agency that everybody has to meet water quality standards and that we did appropriate -- not we, Congress appropriated $18 Billion in 1972 to build waste water treatment facilities, and most recently has extended that to 24.5. The original 18 billion was spent, and I know a lot of it was spent in the northeast. Any money that was expended under that I.C.R. program is subject to industrial cost recovery. What I am interested in, is there a particular locality in the south that you think is where the textile industry will go?

MR. LOU D'AMICO: Winston-Salem and Sampson, North Carolina do not have I.C.R.

FROM THE FLOOR: Raleigh, North Carolina.

MR. LOU D'AMICO: They have modern plants, no user charges. That is only two that I know of, but there are many. I think Charlotte is another area that does not have it. Also, I find the EPA uses a much softer sponge in the south than they do in the north. They're not as aggressive, and things do not happen the way they do here. I think enforcement of EPA in all areas is much more rigid in New England than it is in the south, and it may be because we are so concentrated it's easy for you EPA people to be out in the field. It doesn't take four hours to drive to another city or two hours to drive to another city. But you have a different approach. The approach here, it seems to me, is a penalizing approach to industry. It's not as cooperative.

The south did not grow because it has a better work force or better land. In fact, the first site I saw in the south I told the Town Manager that we had better land that we let cows graze on than they wanted to give us for an industrial area. Their key point is that they welcome industry. They're there every day. It's not a one time -- It's not a fast honeymoon. The honeymoon lasts a long, long time in most of these southern communities. They are aggressive. I think if you look at the record, a great deal of money, federal money, went into the south in the fifties and sixties. It was poured into that area. It just didn't happen. It was poured into that area. Now we're being made to pay. This City has had every imaginable problem tossed at it and has now been thrown a new curve. You're saying now, fellows, come up with the money for I.C.R. I don't think it's going to work. I think you're going to build a monstrosity of a plant that is going to be much larger than you can use. That is why I say it's counterproductive. We're not thinking ahead. What is going to be the end result?

We have people who will have to live not only in '78, but in 1990 who must have jobs to support themselves and their children. You just can't put everyone on the state, city and federal payroll. Industry is your best vehicle for keeping people happy, keeping them employed. It's not government. The government can help, but the government cannot provide the jobs. You're talking about a small amount.

You know, when I look at themoney that is going to be thrown out, if these people become unemployed, it's going to be ridiculous.

There is no bottom line.

MR. NOEL: I think clearly that is the concern that has been stated in the mandate of the legislation. That is why we are here.

CONGRESSWOMAN HECKLER: Exactly, because the record is pretty clear.

There must be other statements. The Union people that are here wish to speak, but I would like the companies to at least present themselves.

Mr. Bogan, if you would like to speak next.

MR. DAN BOGAN: I'm wearing three hats: the Acting Mayor, the President of the City Council and also involved in the business community. It's unusual in Fall River for a businessman to be avowed in politics because it seems to be the evil word, but what you're witnessing really is a commitment from the business community to get themselves involved in government until a solution can be arrived at.

Business has been criticized. There was a statement which said Fall River was behind the times. That is true, but we all bear a part of that responsibility because we, all the business people, neglected the political arena.

You mention the south. The south got involved in politics and said that is how it's going to be done. They're no smarter, no more aggressive. We have a plant in the south. The same thing is involved there. They're after you. They come after you. They put on a good PR approach. They become involved in the community. What has happened here is we're paying for it now because we didn't become involved. This sewerage treatment plant would have gone through unless people did become involved. This involvement, I believe, is a new dimension in towns like Fall River, Lowell, this part of the area. But I think the main thing is the fact that the business community realizes they have to work with the political community and work together for a common goal or common cause and by treating all equal.

The way it stands now it would seem

that the government is saying that the textile related industry is being discriminated against. That is what it is. We are being discriminated against here. I think we have admitted to ourselves that the business community -- I am speaking now as part of the business community -- has neglected the political community. Now we are going to pay for it, now we are going to change it, we are going to be more involved.

I think the City of Fall River as far as on a political basis has had problems from 1920 on. That is when it first started. We are trying to survive and let it grow. Our industry is growing. The more growth we put into it down there, in a few short years this could hamper us.

That is a three-way speech.

CONGRESSWOMAN HECKLER: Are there other Industrialists? The Chamber of Commerce.

MR. WILLIAM TORPEY: (Chamber of Commerce) I really feel and I appreciate what Dan Bogan has just stated here. In fact, he probably stole exactly what I wanted to say, but I might be able to emphasize it.

The business and professional groups or individuals and/or organizations we now have in the Chamber of Commerce is almost 1000. We have reached a pinnacle of success, in spite of the tremendous problems of business today, all the way from energy costs, payroll costs, all that you have heard here today. The support of the business community here in this City is unbelievable. It's tremendous and it's still growing.

What Dan has just said is there has been a major or there has not been an input by the business community into the political arena. This is where the decision-making powers come. But to see this kind of a meeting and this kind of force which has not previously occurred, to my knowledge, to have the kind of one industry, textile industry group, represented as you are today and the satellite industries such as Ed Myles represents here at a table to tell the political arena in the name of Congresswoman Margaret Heckler and the regulatory agencies, the EPA, and study group, the consulting group, Coopers & Lybrand, the message has got to get across of the tremendous damage that all of these people had added up together. In my own sheets I have added up two figures. That is the number of jobs and the amount of annual payroll. Unbelievable. If it occurs, I think we might as well close shop. That is not going to happen. We are not going to let that happen.

As far as speaking for the Chamber of Commerce, the Chamber only reflects what we have here, what the business people think. If you don't support your Chamber, you don't support your City. That is my personal belief.

By numbers, by grouping ourselves together, it's just what others have said: that it's the north versus the south. In the south there is a unanimity of thought and action. They get together. They do things together. We are going to change that. We have changed that. That is why we are sitting here today. We hope you got the message.

CONGRESSWOMAN HECKLER: Ralph, do you have other speakers?

MR. GUERRIERO: We would like to hear from Kenny Dufault.

MR. KENNETH DUFAULT: (General Manager, Amalgamated Clothing and Textile Workers, Textile Division) I am in a very unique position today as a person from labor. I am in total agreement with everything that has been said by management. I know first-hand how we got here more than most people in the room. I was formerly employed on the staff of Congresswoman Heckler when the first team came in from Georgia which wasn't even considering the economic impact. Through her personal effort we have arrived at where we are today.

I won't go over all the problems that you gentlemen have brought up. I totally agree with all of them. I would just like to add, if we lose, oh, one major or a couple of our medium-sized plants, all the rest will go because of the fact they're all sharing costs. There are all various kinds of commodities that they're buying from the local area. I view as the biggest problem a complete, total insensitive approach from EPA, from state and federal. Outside of this meeting, which I am very happy to be at, I haven't seen any evidence that they're trying to understand the problem. They finally came to the source, and I am very grateful that they have now. Maybe now we can get down to the base of the problem.

I only view this as step one. If you're able to knock out I.C.R., it's still only going to leave you status quo on many of the companies here. The Union has done their part. We forewent raises at Swan Finishing. Labor is playing its part which it has to. The old phase of the two sides of the table is gone, if we have any intelligence. If we don't get any help beyond the I.C.R. from the EPA, clean air is important, but eating is more important. If you don't eat, what is the difference if the water is clean or not. You could close off Fall River and make it a national monument. You're never going to fill the jobs again. You're never going to re-employ the people, you know, so it's time to really sit down and knock it out because you're right on the verge.

I know personally three or four different plants here. I won't mention their names. One in particular was contemplating a very large expansion, and right now this is not only the reason, but it's a major reason -- it's not one that has been mentioned, so I won't reveal the confidence. They simply don't want to. I know of also a couple of others of the associates that I deal with that are looking in the states right now that are being relocated. I don't blame them. They're not getting any concentrated effort or any show of sensitivity to their problems from EPA. So, I am very glad that today is a definite step in the right direction, but they have got to go even far beyond what we are trying to accomplish here today.

That is all I have to say.

MR. GUERRIERO: Mr. Robertshaw.

MR. JACK ROBERTSHAW: (United Labor Council, Mass. State Building Trades and Fall River Building Trades) I want to say first of all that we in the Labor Union here in Fall River -- I am in a very unique position, I can speak for the building trades and Building Labor Council and also the State Labor Council -- wish to express our support for these Industrialists, and we will go all the way with you and support you all the way.

We think the industrial cost recovery is a burden that these people cannot tolerate and cannot survive with. We think it's unfair to this area where we are forced to import 80 percent of our oil, where we are forced to pay very high energy costs, where we are getting killed by foreign imports. These people have got all they can do to stay in business.

By staying in business they're providing jobs for the people in this community. They're keeping this community alive. This community was the largest textile producer in the United States, in fact in the world, several years ago. What are we now? Look out the window, as someone said, and look at the empty mills. We need help in this community. We don't need further burdens placed upon these fair people who negotiate with their unions, pay them a fair wage, who are competing with the Japanese, the Indonesians, the Philippines, Thailanders. It will surely be the Belgian Congo before we're through with low wages coming up here knocking their pants off. We don't need the federal government here knocking their pants off.

We hear out of Washington and we hear from President Carter that he wants to help the older cities. This is not helping them by placing this additional cost on these people who are trying to survive. You have heard every one of them speak. I didn't hear one of them here saying they're rolling in dough. I heard every one of them say they are trying to survive here. They're a part of this community. They want to remain a part of this community.

I would direct a question to EPA.

It concerns the environment. If you look in Webster's dictionary you will see that environment means the surroundings in which we live. The surroundings in which we live is not only ecological, it's not only clean air, it's not only clean water. There is a social environment. People employed making money, people not having to go to Parkersburg, West Virginia, or Marquette, Michigan, like my members have to do because there is no growth here. There is a social environment. When you lay people off and put them on the streets, you're crime rate goes up. That is a proven fact. These are statistics. We can have clean water, but we'll also have crime because of the unemployment rising in our City. Then what is the advantage of clean water?

How about the economic environment? How about people doing a simple thing like eating? Making a living? Being able to send their kids through college? I come from a union with 50 percent unemployment. We're told the unemployment rate in the City is dropping.

Try to tell that to some of my members. Try to tell it to the people in the building trade. We don't need any bureaucratic hogwash.

This cost recovery system is going to be harmful to these people in the City. We in the labor realize what is harmful to them is harmful to this City and is harmful to us. So I would like to respectively go on record as saying that we, and I can speak for 90 percent of the labor movement in this City, we are unalterably opposed to the industrial cost recovery. We shall stand with these Industrialists. We shall be of every assistance we can here in this City, in Boston and in Washington.

We ask to reserve the right to submit a written statement. Thank you.

CONGRESSMAN HECKLER: Well, we have heard from both sides of the aisle, labor and management. Do you have other Industrialists?

MR. JAMES LENNON: (United Textile Workers of America) I concur with what my brother from the labor movement just said here.

It's interesting to note that in our society today we seem to concentrate on cures of everything. There is always a cure, but there doesn't seem to be too much along the lines of preventive action in terms of whatever, so they make their evaluations of situations such as this and the necessity for clean water and whatever else the environment proves necessary here and throughout the country, but we don't very often hear of any cold statistics or rather projections as to what will happen, you know, in terms of unemployment as we are all aware of it.

It reminds me somewhat of a parallel situation where up in Maine, Bruster Forest, which I understand was donated somewhere along the road to the State of Maine and wasto be preserved in perpetuity so we would have something of the wildlife and so forth, and for some reason or another we had a storm a couple of years ago and it devastated the forest at least to the point where many trees had been falling, and it created a fire hazard in terms of, if anything should happen there, how do you get into sort of fight this fire, and so forth. So the environmentalists went to court. They were upheld by the court. The fire occurred. You know what happened to Bruster Forest.

The point I am bringing out here, we are not opposed to our environment being managed in a way that will bebeneficial to us all, but I think that we are overlooking many times concentrating on our objective, you know, and ignoring and making some real hard evaluations of what the results might be. Basically when we're talking Fall River -- incidentally, I come from Rhode Island. It's very serious there, the unemployment. That is nothing to be looking forward to. I am talking about unemployment benefits of supplementary unemployment or this training program and that training program. I am not opposed to these things, understand. What I am saying, the key to our economy and our society is people -- without people we need nothing because none of us need to be here and nothing needs to exist without people. People are the key to our whole society, the whole civilization. It would seem to me that probably these people are pushing some of these things here, and it's been my observation to some degree that there is no logic in terms of -- again, I am not saying I am opposed to the progress that we should endeavor to accomplish for our environment, but if you look at it, you don't see anybody coming up and saying what happens.

Out in the west there was a steel mill that was closed up because of the environment. Now they're trying to get it going again. It's the same way here on the East Coast and all of these things that we are involved in. I think, yes, we can do these things, but we have to be practical. We cannot go along and say this must be done, let's try to prevent what the results might be and give an evaluation and give priorities to where they should be, particularly here in New England, as we all agree here. This is very serious in many areas.

In regard to my brother here from the

Chamber of Commerce and others commenting about the textile group being here, everybody in this City here and in the State of Massachusetts and wherever is part of this thing here because it's a domino effect. You know what happens when people get unemployed. It just goes down the line. So I think that we should back up and support the people here in the City of Fall River, all of them, no matter what business they're in because we're all in the same boat.

MR. JACK ROBERTSHAW: Can I just make an additional remark?

We are in favor of building that sewerage treatment because we are in favor of clean water. What we are opposed to is asking these gentlemen to pick up the cost which they can't afford to pick up. They can't afford that extra 40,000, this gentlemen with 10,000 and that gentleman with 8. We don't think there is any need for it. We think there is plenty of money there without ruining the economy of this City to accomplish it. We believe it can be done in other ways.

CONGRESSWOMAN HECKLER: Further comments? John Friar. He was one of the original experts, and I think is a most eligible person speaking for both the industry and government here.

MR. JOHN FRIAR: (Sewer Commission Chairman) As has been indicated, we have had comments from what might be termed both sides of the table, that is labor and management. Perhaps, we should also consider government on the local level as being, perhaps, in the middle of the whole thing. The Sewer Commission is squarely in the middle of that. There are a couple of specific points that I would like to have taken care of at this time, if I could.

One of the problems that bothered me at the last meeting was the apparent fact that neither the textile industry as an industry nor the City of Fall River as a city would be formally included in the statistical work that was done on this project. That was an impression that I had as a result of that meeting. I would like to find out once and for all if that, in fact, continues to be the case.

MR. NOEL: Two issues. First of all, the reason we had the meeting previously was because Fall River was one of the cities that was being statistically studied. If we were not going to study you statistically, we wouldn't even have been here.

MR. FRIAR: Well, I thought there was, as a matter of fact, supposed to be sort of narrative type of input.

MR. PAUL FLAX: (Coopers & Lybrand) I spent the morning with Steve. We spent three or four hours completing a survey form that we are doing for a number of cities across the country.

CONGRESSWOMAN HECKLER: Fall River was one of them?

MR. FLAX: Yes.

CONGRESSWOMAN HECKLER: I would certainly hope so. As the author of the amendment that wanted the study, I would be terribly unhappy with EPA if this City were not number one on the list and fully analyzed.

MR. HARRINGTON: If she's unhappy, you're going to be unhappy.

CONGRESSWOMAN HECKLER: You're going to be very unhappy. Heckler in Congress is not to be minimized.

MR. NOEL: Which was why Fall River was on the list.

MR. DONAHUE: We are gathering information about industries in all of the three hundred cities that we are visiting. We were paying particular attention and doing a little bit additional research in five industries because our scope of work said that we would pick out several industries that were particularly impacted by industrial cost recovery. The criteria that we usedto select these industries was the total number of employees, the number of establishments in the country, those kinds of things, criteria that EPA approved. When we took the industries that were considered as potential candidates, the textile industry was not one of them. However, because of the interest that was shown by Congresswoman Heckler and Congressman Studds and Senator Chaffey, we went back and got EPA's approval to expand that from five industries for a specific kind of study to six, and the sixth one was textiles.

CONGRESSWOMAN HECKLER: Let me just say this shows you how far the agency strayed from what the Congress intended because on the House side I fought hard for this amendment, and Senator Chaffey was extremely active in fighting for the amendment. This was the origin of the whole idea, and Congressman Studds supported this. Now to have the EPA overlook that central fact is just amazing to me. It's really almost shocking, but I am glad we rectified it and I am glad we had the preliminary meeting so we knew a secondary meeting was in order. We are glad you revised your setting of priorities because I hope again this, too, will go to the head of the list.

MR. JOHN FRIAR: (Sewer Commission Chairman) I think it is important that it be understood here that it has taken place. The second point that I would make would be a suggestion as to the execution of that study. I am not sure that this situation of two clearly separate geographical areas being in competition with each other for a particular industry is the same for almost any other type of industry that you would look at. You might say that Boston and California would compete to some extent for the electronics trade, but I am not sure that that is really one of the industries that is going really to be nailed. I don't know. Maybe the geographic separation is enough there so there is not that much in the way of competition any more. But I consider the textile industry in my mind as being somewhat unique in that regard. So I would suggest that the study show the relative impact within the textile business. In other words, what would happen not just to the industry as a whole -- maybe the industry as a whole will still have 200-or 300,000 jobs, but will those jobs suffer displacement as a result of this cost situation.

The final point that I would make

has to do with sort of a cost benefit ratio consideration of what is happening here. I have read some of the deliberations that the committee undertook or at least a summary of the rationale they used in developing Public Law 92500 and particularly the method of addressing charges. I can understand that rationale. I think anybody who reads it would say that their thinking was reasonably clear. The problem is that it was not in any way all encompassing for all situations. It was necessarily general and limited to the extent of detail, I think. So there is some justification to ask for this to be considered and with the specific problems of either the textile industry or, perhaps, even some cities in the northeast or even the problems of Fall River rather than the general questions raised during their deliberations, particularly with an idea what is the cost to benefit ratio. If the federal government succeeds in recovering some of its capital by way of the I.C.R., will it on the other hand end up expending much larger sums of money because of the displacement or losses or what have you and will it also have done it or what should it do to protect its investment in a $45 Million project. It doesn't make a lot of sense to have a 32 or 31 million gallon a day plant that is only going to be serving an effective 23 or 24 million gallons a day because the other eight or nine million gallons a day have moved south or someplace else. So it doesn't make a lot of sense to build a big plant and not have a flow to make it work properly which might occur as a result of an industrial slowdown.

MR. NOEL: I think Ed would like to address a few things.

MR. DONAHUE: The degree of geographic competition we are addressing not only for textiles, but also for pulp, paper. You have New England versus the midwest. So there are two industries. The cost benefit side, we have hired Camp, Dresser & McKee as subcontractors to help develop some cost equations and to look at what is the most cost effective way to treat sewerage. Will I.C.R. with pretreatment regulations lead industry to go to self treatment?

MR. FRIAR: We worried about that balance.

MR. DONAHUE: We are coming to that problem, too, if you have got a plant with excess capacity, then everything is going to suffer because those people who are left are going to pay higher sewer rates. Yes. We are worried about that and, yes, those are things we are looking at.

MR. FRIAR: Is there some way the City could, at least the governmental aspect of it, be kept abreast of what is going on?

MR. DONAHUE: We have periodic public meetings which include industrial people and manufacturers, several trade associations, environmental groups, league of cities, whatever. Those meetings are public. There are transcripts available, and we will be glad to give transcripts to anyone as to what is going on. We are also going to have a series of ten regional meetings in late September or October in Boston relating to what we've found in this geographic part of the country, offering those cities we did not visit the opportunity to see what we have and to put additional statements in the record. We will have transcripts for all those meetings. Those transcripts are going to be appendixed to the report to Congress. Then there will be the draft reports which will be ready in mid-November.

MR. FRIAR: Can we put that on an active basis rather than passive? Could we request this be forwarded to us actively rather than have us --

CONGRESSWOMAN HECKLER: You mean the draft reports?

MR. FRIAR: Yes. With a draft there is usually a period of review where comments can be made.

MR. DONAHUE: We can certainly give you copies. There are deadlines set by Congress which are very short.

MR. FRIAR: We don't want to wait for

it.

MR. DONAHUE: You're going to have to respond very quickly.

MR. GUERRIERO: When is your draft report due?

MR. DONAHUE: It is due out mid-November. We are supposed to have it done by early December. We are supposed to have meetings on a regional level in October without any recommendation. Based on those regional meetings plus the data we have gathered from the 300 cities, we will have a month to put together a draft report, and then December is the deadline for the final report to Congress.

MR. NOEL: Which brings me to a point I would like to make.

CONGRESSWOMAN HECKLER: Could we take a brief recess for the stenographer first.

[Brief recess.]

CONGRESSWOMAN HECKLER: Are we ready to resume?

MR. FRIAR: There was one point I would like to make I mentioned it to a couple of people that I had talked to. That is, if there is anyone who doesn't want to make a formal presentation now either because they're uncomfortable doing so or because of financial disclosure or what have you, I had guaranteed to such people that you would be available afterwards to hear whatever they might have to say. So, if you would stay around for a few minutes afterwards to give someone an opportunity to come up, if they want to.

FROM THE FLOOR: We will be advised of the public hearing that will follow, so statements can be added at that time?

MR. BUCKLEY: There will be a public notice in the paper.

MR. NOEL: Just before we broke Ed brought up the problem of time constraints that both he and the agency are under by Congressional Mandate. That is, we have to report to them by December of this year. So that any information that you can provide us either by way of this survey form or supplemental types of correspondence is most important. We have a very short time frame in order to integrate it into the whole flow of the project.

MR. GUERRIERO: Are they to send this information in? Does everyone know?

MR. BUCKLEY: Once I give them the form, if they will return it to me, I will make sure that Coopers & Lybrand receive completed forms.

MR. GUERRIERO: Are you going to pass those out?

MR. BUCKLEY: I will have copies drawn up and make sure they're distributed.

MR. GUERRIERO: We have made our presentation, and we would like to have Mr. Pat Harrington sum up most of what we had.

MR. BUCKLEY: Would you like to say something?

MR. DONAHUE: I don't care when. I have a few feelings I would like to express also when he is done.

MR. PAT HARRINGTON: (Attorney, United Merchants) I am an attorney. I have a law office in Fall River. I represent United

Merchants, but I think what I am going to say that I represent most of the people around the table here who got together the other day to sort of go through and try to prepare for the meeting here with the Congresswoman. I would like to say at the outset that having had some little knowledge about government, I think that Congresswoman Heckler should be thanked profusely for being on top of this particular issue, and I personally know what it takes to know all of the facts about a particular thing where you have got 100 things in your office and the like. I think you have done a great job here today. I think without her we would not be here today in this particular delicate political matter.

One of the things that was of some interest since it was first introduced to us at a meeting with Coopers & Lybrand the other day was this scope of the work on this Industrial Cost Recovery Study that Coopers & Lybrand is doing. At that time we obtained from them a copy of this thing, and thanks to Ralph we got a mimeographer, so we have had a chance to examine it to some degree. It's a nine page contract, and it's a very interesting contract. I think the first paragraph or the first sentence is worth quoting. "Primary objective of the study is to examine with full public participation the efficiency of and need for the industrial cost recovery provisions of the Federal Waste Water Pollution Control Act." Without going through the other nine pages of things that you are supposed to change, Messrs. Coopers & Lybrand, if you study those things in the way they're set out here, we are convinced that you're going to come out with the conclusions which have been expressed around this table today because we think that the Congress and particularly Congresswoman Heckler who raised these various questions, which incidentally were not available at the time Coopers & Lybrand originally came in to talk to us, but were subsequently made available, if you address those questions and you answer them fairly and honestly with reference to the Fall River situation as has been enumerated here today by people better qualified to speak about this than I am, I think you're going to come out with a report that indicates that obviously this particular I.C.R. does discriminate against us, does discriminate against Fall River, and I think all of the subjective, all of the statistical data that you need should be there and available. In that connection, however, we have some reservations. We, at least I personally, have had some experience with consulting firms, and I realize they're doing a big job and maybe sometimes a broad brush treatment of a particular subject which requires some intensive on-the-scene examination. Therefore, I would like to request and get a public commitment, if I can, that before this report gets put into concrete form that a draft report of this thing will be made available to this group, a draft report of what Coopers & Lybrand is going to submit, so that we can make some intelligent comments upon that draft report.

We will make available to you the record of this meeting, so that you will have, since you haven't taken it down yourselves, all of the input that has come through this meeting. We would like to have a chance to sit down with you and with the EPA before this report gets set in concrete because I realize, you know, the effect of these type reports on the future action on this, and I don't want the kind of report that says, well, we ran through Fall River, you know, one Monday afternoon, we listened to a lot of people, everything was fine, and basically we give EPA what they originally commissioned us to do. We don't want that.

We want to have what we have said to you here today in the record, and we want to have a chance to comment on that record before it becomes a Coopers & Lybrand report to Congress.

Can we get that sort of commitment out of you?

MR. DONAHUE: First of all, I would like to take the transcript of this meeting and include that as part of our final report to the

Congress because I think, if any significant number of communities have spoken out as forcibly as you all have about this issue, it wouldn't be an issue.

MR. HARRINGTON: No problem with that.

MR. DONAHUE: Secondly, the drafts of all our final reports will be available to you, and we will be glad to meet with you. I cannot guarantee that the recommendations we put in will be to your liking. I am not trying to prejudice this, but we call shots as we see them. We will be certainly glad to sit down with you with our draft report which should be available by November 15th.

MR. HARRINGTON: That is fine. We have no problem with that.

Who are you going to contact so we will not have any problems with that?

MR. DONAHUE: Whoever you would like.

MR. BUCKLEY: I will.

MR. DONAHUE: Fine. We will contact Steve Buckley.

MR. BUCKLEY: I will make those copies of the report available to all of you.

MR. HARRINGTON: I would like to offer this thought, too. That granted that you're going to have a transcript of this record, but if there are other matters or questions that are raised that we haven't been able to go into in detail, given the limitations of time and the rest of it, I would hope that Coopers & Lybrand would feel obligated somewhat to come back and ask some other questions on the basis of the transcript that has been presented here today of the various industries that are represented and also the other industries which were going to file briefs with you who maybe are support industries of the industry which we are now talking about, but I would hope that you would, instead of leaving something up in the air, come back to us and ask us for our thoughts and opinions on that thing before you put this thing in concrete and it goes back to EPA and to the Congress.

MR. DONAHUE: Yes, sir.

MR. HARRINGTON: We would also like to have available to us any meetings that you are going to have anyplace in connection with this matter. We would like to know when they're going to be held and what the subject is going to be. We would like to be on your mailing list on all of those particular matters.

MR. DONAHUE: All of those are in public. We have court reporters for all of them and transcripts available for anyone who wants them.

MR. HARRINGTON: So they may be available. If somebody doesn't tell us, we don't know.

MR. DONAHUE: Our next public meeting is on the 31st of August in Washington, D.C. at EPA headquarters at 1:30 in the afternoon. That is a progress report by Coopers & Lybrand to the Advisory Committee made up of the trade associations, the civic groups, the industrial groups and EPA.

MR. HARRINGTON: What will that progress report be comprised of?

MR. DONAHUE: To tell them what we have done, what we have found, and we also would like to give a discussion of the engineering and economic approach in looking at some of the cluster industries.

MR. HARRINGTON: Will there be a written report for that group at that time?

MR. DONAHUE: There will be documents distributed, yes.

MR. HARRINGTON: Can we get a copy of those documents prior to that time?

MR. DONAHUE: I am not sure how far prior to the meeting it will be finished. It's not going to be finished until a couple of days before.

MR. HARRINGTON: We have some interest in attending some of these meetings. I don't think you're going to get rid of us. (Laughter.)

MR. DONAHUE: We're certainly not. We are encouraging public participation.

MR. HARRINGTON: Do you have a list now of the various meetings?

MR. DONAHUE: The dates for the ten

regional meetings will be in late September and early October.

MR. HARRINGTON: You're going to go back to your advisory committee in Washington --

MR. GUERRIERO: When is the one in Boston?

MR. DONAHUE: We don't have a date yet.

MR. HARRINGTON: Let me say one thing. We have a very strong feeling that what input we give to you and what comes out of your shop is going to make a great deal of difference to this City and to the industries represented here today, and so consequently, if ever there was a report or a consultant type thing which requires some real expertise, this is it. I think that we would like to be part of that process all along the way because we think, if we are part of that process, we are going to come out of this with positive conclusions.

MR. DONAHUE: We would like you to be part of that process. That is why we are here.

One thing I would like to point out

as a caution is that as enthusiastic as Congresswoman Heckler is about the issue, industrial cost recovery, we are going to make a report to Congress through EPA --

CONGRESSWOMAN HECKLER: I am enthusiastic about removing industrial recovery cost.

MR. DONAHUE: I'm sorry. I mean, Congress as a whole may or may not act on any of our recommendations. She can speak very vocally as far as removing industrial cost, but it will be up to Congress to decide.

MR. HARRINGTON: One other thing we would like to address ourselves to is this. There are two major issues. Can we get rid of the Industrial Cost Recovery? Maybe that is beyond the state of the political art. If we can't get rid of it overall, can we get a formula which takes into account all of the factors which have been plugged in around this table so that those older, urban areas where they have a significant problem because of everything you have heard here, because of

:4

imports, because of taxes, because of energy, because of transportion problems, because of energy problems, you name it, whatever it is we've got it, can there be a formula cranked through in terms of a recommendation that says, look, it may be great, it's probably not going to impact some communities in the Midwest that is going to build a $10 Million sewerage treatment plantten years from now, it's not going to be a problem, but for us right now you have a $50 Million plant. As John Friar very eloquently addressed himself to that problem, we might wind up with two different things. We might wind up, you know, number one, with a totally unacceptable thing as far as local industry is concerned and, secondly, not any industry there to support the plant. So you have those two things going.

Can we ask your agency to specifically address yourselves to alternatives or exceptions, whatever words you want to use, and that is spelled out in your contract right here.

MR. DONAHUE: The recommendation that we are going to make can range anywhere from doing nothing, leaving the law as it is presently written, to outright abolition or, you know, somewhere in between.

MR. HARRINGTON: My guess, speaking contrary to some of the other people around this table, knowing something about how the federal government works, all-out abolition does not happen on any sort of thing you're doing. So the question comes down to the final analysis can we make through what we are doing here a persuasive case for being -- As President Carter has said, you know, he is in favor of helping urban areas and so on -- can we make a persuasive case for exempting places like Fall River from the impact of that I.C.R.

MR. DONAHUE: That could be one of the recommendations we make. To use a formula that says unemployment is over a certain level.

MR. HARRINGTON: Well, will you commit yourselves to your own deliberations going through that thinking?

MR. DONAHUE: Yes, sir. We have to. We wouldn't be doing a good job if we didn't.

MR. HARRINGTON: I just wanted to have it on the record that you are going to do that, whether it's an affirmative or negative statement in this report as to whether or not we should be exempted or one way or the other. I would like to see that in the draft report. If we haven't made a case and we have lost, okay. I want that said, but I want somewhere in that record a statement that you people have reviewed comments that we are making today. I am speaking on behalf of everybody, I think, in this group, that you reviewed those statements and that you have either agreed with them or don't agree with them, but we should have affirmative statements so when we go back to Mrs. Heckler back there in Congress we can say, okay, we either did or didn't make the case. Then, at least, we know there won't be a question whether you did or did not address the issue.

CONGRESSWOMAN HECKLER: That issue seems to be settled.

MR. DONAHUE: There would be no doubt we would address the issue in the report.

MR. GUERRIERO: You said there was public hearings. Was there a notice in any of the Fall River papers? If there are public hearings, who is directed in your office to notify people?

MR. BUCKLEY: It wasn't a public meeting.

MR. NOEL: I think it needs explanation. We have two levels of study that we are operating on here. One at the local level where we come out to Fall River or Woonsocket or Taunton, Fitchburg, Templeton, Massachusetts or Portland, Maine. I presume, although I am not too sure, Steve, you have a public notice to inform interested parties prior to the meeting. The meetings we are having in Washington, we have an advisory group of people that are at the Washington level, the American Frozen Food Institute, the American Canned Food Association, a whole list, if you would, of lobbyists at that level including the environmentalists such as the Sierra Club and Clean Water Action Project and such things as the Association of

Metropolitan Sewer Works Agencies, some national and county officials, associations, and that is the public hearing that Ed is alluding to that is going to take place on August 31st and that have taken place in the past.

CONGRESSWOMAN HECKLER: So how can you hope to get the true story from the people?

MR. NOEL: By coming here as we have done?

CONGRESSWOMAN HECKLER: Have you had any other meetings like this?

MR. DONAHUE: Yes.

CONGRESSWOMAN HECKLER: Where?

MR. DONAHUE: All over. There is another meeting going on out in Stockton, California. Wherever there has been any interest on the part of industry to sit down and talk, we have met.

MR. NOEL: The other point, the operation that is going on now ostensibly is a data gathering one. Clearly, we are going to listen to you as you speak to us, but the real point to discuss the issue is going to be at the regional meetings.

CONGRESSWOMAN HECKLER: The law was passed a year ago. A year has gone by. When did you come up with this survey? Two weeks ago?

MR. NOEL: No.

MR. DONAHUE: EPA gave a contract to us in mid-May. It took us six weeks to try to gather information which was the basis for the scope of work for the contract. The beginning of July we went out to collect data, visiting cities.

CONGRESSWOMAN HECKLER: You can do it in six months?

MR. DONAHUE: What?

CONGRESSWOMAN HECKLER: Your job.

MR. DONAHUE: Well, we're a big company. We think we can do it in six months.

MR. NOEL: We have no choice. By law it has to be in Congress in December.

CONGRESSWOMAN HECKLER: Like Mr. Harrington said, we are not going away. (Laughter.)

MR. DONAHUE: You know, we have an interest. This isn't a conflict of interest. We have an interest in Fall River. We are the auditors of the City of Fall River. We have an interest in seeing that the City survives financially. We would like to be paid.

CONGRESSWOMAN HECKLER: Then you know our facts are accurate.

MR. DONAHUE: We are heavily involved in the private sector. All of our business is with the private sector, very little with government. It was an uphill battle to persuade the EPA we weren't biased in favor of industry as opposed to the environmentalists. So we are trying to be objective about it. So we do understand the business world because we are in the business world.

MR. HARRINGTON: But you stand the chance the EPA could submit a report which is different from yours on the basis that it is different from what the agency hires you to do.

MR. DONAHUE: We do not intend to let EPA sanitize our recommendations. We wouldn't sit still for that.

MR. NOEL: If we did try to do it, I know what would happen. The report is being done for Congress, not for EPA.

CONGRESSWOMAN HECKLER: I will say I have not heard of this advisory group, and I want to know what is the membership on this advisory group, was there anyone from this sector of the economy included, can it be expanded, because I am quite surprised to know that that group exists.

MR. DONAHUE: It is a group of 35 organizations.

CONGRESSWOMAN HECKLER: I am just worried about what the relative weight of various individual interests would be on a competitive basis. I am going to look at that list very carefully. I would just like to say I think we are all about finished.

MR. KEN DUFAULT: I take exception to the fact that I had to be notified by my Congressman, which I appreciate very much, but I don't think it's your responsibility, and I got a call from one of the industries. I figure it's important enough for my people, if you're doing a study, that you should at least communicate with the people by whatever method to let us know what is going on, so I think we're starting off on the wrong foot, number one.

Number two, does your study include looking into the requirements of EPA itself? I mean, we're talking everything after the fact. One of their requirements is take dye out of water which is scientifically impossible. It can't be done. It's not a question of wanting to be done. It can't be done. Someone from EPA in their wisdom, whether it was a consultant firm, did an in-depth study, I assume in a phone book, and cited Duro as one of our more serious polluters. They're monitoring on their property, and they haven't violated anything yet, which leads to insurmountable problems, and they're not polluting. I took part with Mr. D'Amico from Duro with EPA, so we're assuming the gods have spoken. You can't take dye out of water. How can this study be effective if you're not even checking what they're doing?

MR. DONAHUE: We're not environmentalists. We're businessmen. The study asked us to address the cost to industry and to local governments to administer because of the cost recovery. We are asking people what they're paying for pre-treatment and what you're liable to pay for pre-treatment. We're making the assumption that is one of the costs that has to be factored in determining whether the cost recovery is there. We can't change pre-treatment standards.

CONGRESSWOMAN HECKLER: That is not within the purview of the study, unfortunately.

MR. DUFAULT: Well, it should be.

MR. DONAHUE: We're accountants, not engineers.

MR. DENNIS ORVIS: (Chamber of Commerce) Three quick comments to back up what Pat has said about the modifier because that is probably where this I.C.R. might end up.

One is that the majority of our larger companies in Fall River are owned someplace else, and the decisions on those companies will not be made in Fall River. We have many splendid plant managers fighting very hard to keep the companies going in Fall River, but the decisions aren't being made here. Industry makes its decisions down the road four or five years. This new plant won't be on line for three or four years or whatever the time is, so the decisions being made today affect the companies that are in town now, and we hope they will be here five years from now.

The second point is that I have been in Fall River 19 years. The lowest unemployment rate I have seen was 5.9 percent. It's been as high as 14. We haven't been the highest in Massachusetts, but we have been in that distressed area for as long as my memory will serve in Fall River. At the same time, CETA is spending over $7 Million a year in Fall River training and finding jobs for people, so it's been said before and it probably ought to be repeated here that we're walking on thin ice here in Fall River. It makes no sense for the government to spend $15 Million finding people jobs when we're talking about a small item to keep the jobs here in the first place. I think these are all important to what we are trying to do.

MR. DONAHUE: Someone mentioned plants that were considering expansion or having second thoughts about it because of this and other factors. That is particularly on this industrial survey form one of the things we are looking for. If you read the legislative history that goes with the act, unemployment particularly in older cities with distressed economies is something we are really looking for, so somebody, please, come up with information showing where somebody has decided not to expand production or cut back on production. We really would like to get it. We cannot say it's going to be confidential because one of the disclaimers we have to put up front in order to make this a convincing report, the information supporting it has to be public. We can't say to them this is the way it is and then we can't give them any of the financial data to back it up. I realize people may be disclosing information they don't like to disclose. They have to make that tradeoff. Any information we get we don't intend to identify specific companies in our report, not without their approval anyway, but the general counsel office from EPA has informed us under the Freedom of Information Act anything we collect in this study, if somebody asks for it, we can give it to them the same way you're asking for transcripts. Anybody can ask for it. So if you have got the data and you don't want it disclosed, then, please, don't give it to us.

CONGRESSWOMAN HECKLER: Well, I think we have covered --

MR. BRIAN JAMES: (Mass. Divison of Water Pollution Control) I have worked with Mr. Swan before. I don't know if you remember me when I used to be out taking samples in the Lees River area.

Industries are going to have to be burdened with costs which have been, you know, intimated here, not just on the I.C.R. system, but enforcement of the sewer use ordinances. These are very basic. We have to protect the collection system. We have to protect the treatment plant, the pumping stations. Next in line is going to be possibly even more stringent pre-treatment standards. There are a lot of costs that these industries are going to have to be bearing.

As far as the Division is concerned, the I.C.R. system is a cost which we consider probably at this point in time very excessive because a lot of the industries are going to be hit in a relatively short period of time with major expenditures. We are more concerned with getting the treatment plant on line, getting the various industries to have compatible waste, so that a $45 Million project down there is going to do what it is supposed to do. Otherwise, we are just going to be blowing away that $45 Million.

I feel that the Division has attempted over the past 10 years to assist industry at least to a certain degree. We tried several years ago to have low interest loans for industries, and apparently it was ruled unconstitutional. Chapter 700 and 701, these are where incentives are given as far as defraying taxation and write-offs of equipment associated with pre-treatment facilities. The Commonwealth is very much concerned with industry. We are also very much concerned with the large urban centers. We are developing our priority list.

Right now we are basically taking the federal money which has been assigned to the Commonwealth of Massachusetts and allocating it throughout the Commonwealth. A very large amount of this money has gone to the major cities. Fall River is one of two major projects for relocation work as well as for waste water treatment facilities. I can sympathize with you. We have our job to do. We are mainly concerned with getting the plant built, trying to protect the environment and something we can all live with.

I feel that as far as where we are going at this point in time, I think I would take a hard look to see what the ramifications are going to be. We have had several major treatment plants in Massachusetts where they were designed for such loadings from industry, and then all of a sudden the industry folded and moved out of state. It creates a lot of problems.

I think I would also like to submit -- we will be submitting a formal statement for the transcript.

CONGRESSWOMAN HECKLER: I do appreciate that. I would like to say really for myself we are going to have to take a very hard look to see where we are going to place our priorities. We do need a pure environment, as pure as it can be compatibly with a growing economy. Frankly speaking, as one who has served, I voted for environmental bills in Congress and with great interest and firm support. I feel very strongly that we squandered some of our best assets, but

I really have to say that ultimately on this issue and on other issues at this point the survival of the economy is my first priority. This has to be made compatible with the environment. But, if people don't have jobs, pure air and pure water are simply a luxury they can't afford. Frankly, I think that this is going to be the priority that many members of Congress feel, but certainly any of us from Massachusetts will have to take a hard look at where our people will be employed, what job opportunities are open for them and how we can preserve that while seeking environmental goals, and we do have to seek the environmental goals.

I am personally delighted the Industrialists came today and the members of labor and the labor representatives who spoke. I am grateful to the representatives from the state EPA and our regional office. He hasn't given me his full title.

Mr. Donahue, I am delighted that you are involved with the auditing of the City of Fall River because you can verify the accuracy of the comments made.

I feel very strongly the purpose of the amendment that I introduced was to force EPA to take a hard look at the environmental consequence of the I.C.R. I have received an education from the people at this conference table. As the figures emerged and as my enlightenment proceeded, I could see there was a tremendous struggle for survival in the City, and this was a major factor. I am not interested in having a hearing for the City; I am interested in finding a process of problem solving. I am a bottom lines person. I want to know how we are going to get from here to there and how we are going to find an answer. So, I guess we're going to look for certainly, barring all-out success, the elimination of the I.C.R. Barring that, we will look for alternatives and options. The problems of the City and the accuracy of the statements here we don't need to enumerate on. I do feel that there is going to be a sincere effort on the part of both EPA and the consultants and all of us to work together to resolve the problem. As I see it, the crux of the matter is the data gathering and the suggestions, solutions, the options because this is a critical matter that is critical for the future of the City, and without it we are not going to have a tax base. Massachusetts will not have tax revenues. We will not have the money which we would need to do the good things that need to be done in society including improving the quality of the air. So, I will continue to work with you, and I thank all of you for your time today.

[Applause.]

[Whereupon, the meeting was adjourned.]